Dart & Kraft Annual Report -- 1980
America's Corporate Foundation; 1980; ProQuest Historical Annual Reports
pg. 0_1

DART & KRAFT 1980 Annual Report

DART & KRAFT INTER-OFFICE COMMUNICATION

Date February 6, 1981

To Business Unit Management

From John M. Richman and Warren L. Batts

Subject PERFORMANCE OBJECTIVES

With the merger of Dart Industries and Kraft last September, we created a major new enterprise. The combining of our two companies has progressed swiftly, and now we can turn full attention to the accelerated growth potential, which both companies sought for their shareholders with this merger.

Therefore, we have established the long-term goal of being consistently among the best performing of our principal competitors. In today's inflationary economy, this means we must achieve 15-percent annual earnings growth and return on total capital of 15 percent. Our pro forma results for the past five years were certainly above average, and we believe we can achieve these goals.

Each Dart & Kraft business must be the outstanding performer in its industry, with a reputation for both quality and value. Operationally and financially, we have the strengths to support the growth of our business units through line extensions, new product and market development, and technological advancement.

As we begin our first full year together, let us work toward these common goals with vigor and determination.

JMR

WLB

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Dart & Kraft, Inc.

Table of Contents

Financial Highlights 1
Message from the Chairman 2
This Is Dart & Kraft 4
Year in Review 6
Dart & Kraft Worldwide Markets 26
Dart & Kraft in the Community 28
Summary of Selected Financial Data 29
Financial Review: *Management's Discussion and Analysis of Financial Condition and Results of Operations* 30
Income and Shareholders' Equity Statements 34
Balance Sheet 35
Statement of Changes in Financial Position 36
Notes to the Financial Statements 37
Auditors' Report 48
Responsibility for Financial Statements 48
The Effects of Inflation on Dart & Kraft 49
Directors, Committees and Officers 51

Annual Meeting

The Annual Meeting of Shareholders will be held at 10:30 a.m. on Thursday, May 7, 1981 at the Chicago Marriott Hotel, North Michigan Avenue & Ohio Street, Chicago, Illinois.

SEC Form 10-K

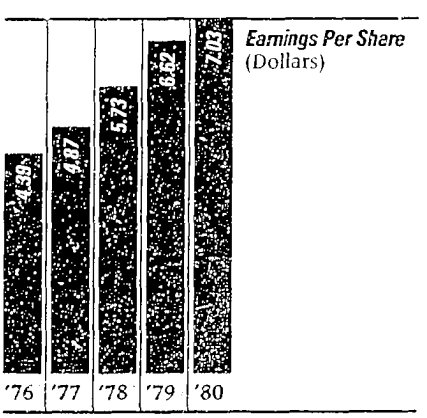
The company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission, is available upon request and may be obtained by writing to the Secretary, Dart & Kraft, Inc., Glenview, Illinois 60025.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

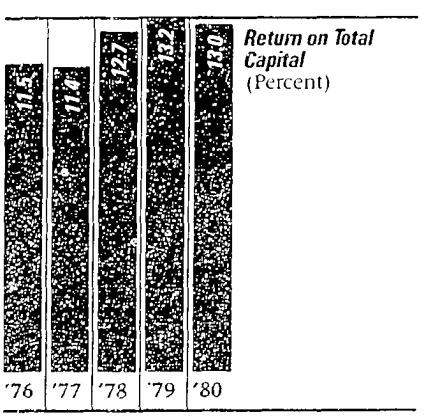
Financial Highlights

	1980	1979	1978
	(Dollars in millions, except per share)		
Net sales	$ 9,411	$ 8,824	$ 7,491
Net income from operations	$ 375	$ 358	$ 321
Per share	$ 6.89	$ 6.59	$ 5.92
Per dollar of sales	4.0¢	4.1¢	4.3¢
Non-operating items after taxes on income	$ 8	$ 2	$ (10)
Per share	$ .14	$ .03	$ (.18)
Net income	$ 383	$ 360	$ 311
Per share	$ 7.03	$ 6.62	$ 5.73
Provision for taxes on income	$ 330	$ 333	$ 298
Per share	$ 6.06	$ 6.12	$ 5.49
Dividends to shareholders—	$ 150	$ 132	$ 117
Per share of common stock:			
Dart & Kraft	$ .80*	$ —	$ —
Kraft	$ 2.40*	$ 3.00	$ 2.65
Dart	$ 1.50*	$ 1.80	$ 1.60
Capital expenditures	$ 337	$ 257	$ 202
Depreciation	$ 153	$ 143	$ 130
Return on total capital	13.0%	13.2%	12.7%
Shareholders' equity	$ 2,621	$ 2,383	$ 2,151
Return on average equity	15.3%	15.9%	15.2%
Number of shareholders	86,050	89,747	92,207

*1980 dividends—Dart & Kraft, fourth quarter only. Kraft and Dart Industries, first three quarters only.



Earnings Per Share
(Dollars)



Return on Total Capital
(Percent)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

To Our Shareholders:

ith 1980 results a matter of record and the merger behind us, Dart & Kraft is poised for continued growth this year and through the critical decade ahead. We have set specific goals for the company and developed strategies to achieve these objectives.

Through the merging of Dart Industries and Kraft, we have created a brand new enterprise, one with a fresh outlook and wide horizons, better equipped to meet the challenges of the marketplace today and tomorrow.

Joining me in the day-to-day direction of the company is Warren L. Batts. He was elected president of Dart & Kraft in early February, following a brief tenure as president of Dart Industries, and has had an effective and highly regarded career as a business executive for over 20 years. I look forward to an enjoyable and productive relationship with Warren, whose ability to translate plans into action in the best interests of shareholders has been amply demonstrated.

As Dart & Kraft, we bring together a number of factors crucial to sustained growth: unequaled marketing skills and distribution capabilities, outstanding human resources and financial strength.

From marketing and distribution standpoints, our company offers products of exceptional quality and value, including many of the leading brands worldwide; the ability to reach consumers through broad and varied distribution channels; and the essential research and development organizations for new products and technology.

We consider the depth and varied experience of management and the skill and dedication of our employees to be among our greatest resources.

Financially, strong cash flow, sound cash management and a conservative balance sheet are characteristics of a healthy company—characteristics that were shared by Kraft and Dart Industries. The merger preserved these strengths, while enabling us to take advantage of new investment opportunities.

Last year, Dart & Kraft set records for net income, net income from operations, and sales. Net income was $7.03 per share, or $383 million, up 6.5 percent. Net income from operations per share totaled $6.89, or $375 million, a gain of 4.8 percent. Sales topped $9.4 billion, 6.7 percent above the previous year.

Our major businesses performed well in 1980 despite the worldwide business slowdown. However, our earnings growth rate overall was less than what we consider acceptable for the long term. Processed foods, Tupperware and Duracell were the best performers, and most of our other consumer product businesses reported modest operating-profit improvement. Dairy Group operating profit was about the same as last year. Chemical-Plastics and Glass Containers operations, while profitable, did not do as well as in 1979. As detailed in the financial section of this report, there also were several important non-operating items that affected net income.

With 1980 results a matter of record and the merger behind us, Dart & Kraft is poised for continued growth this year and through the critical decade ahead. We have set specific goals for the company and developed strategies to achieve these objectives. We also know that we must remain versatile enough to change our goals in line with the dynamics of advancing technologies, of the worldwide economy and of the markets we serve. From now on, success will be measured in terms of our future achievements.

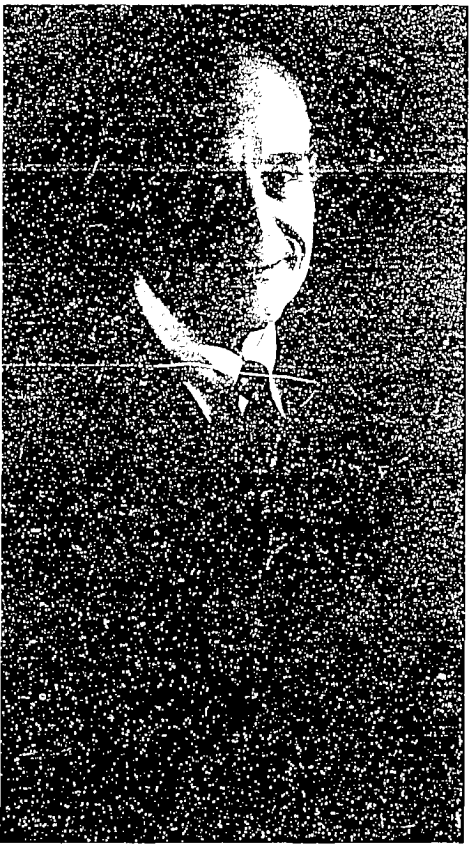
Dart & Kraft is prepared to provide its business units with the financial backing necessary to capitalize on worthwhile growth opportunities, including areas where risk may be involved. We are committed to assist line management in every way possible to enhance the overall potential of their operations.

To provide additional capital for both internal developments and complementary acquisitions, we arranged, prior to year-end, a $500-million, three-year revolving credit agreement with 14 U.S., Canadian, European and Japanese banks. Worldwide, we also had an additional $400 million in unused bank credit lines at year-end.

In the future, we intend to be more assertive and growth-oriented, although we will continue to respect a solid balance sheet. As we invest our cash flow and borrowing potential in attractive growth and solid-return businesses, we will remain within the conservative capital structure boundaries we have established; and we will add materially to the return on shareholders' equity.

Regarding another important consideration, we have increased our quarterly dividend 6 percent to 85 cents per share, or $3.40 on an annualized basis. Our intention is to continue to review our dividend periodically—in line with your long-term best interests—with the realization that, to be one of the outstanding corporate performers, we must reinvest an increasing percentage of our earnings in order to optimize growth.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.



John M. Richman

Our long-term objective is to be among the top 20 percent in earnings growth and return on total capital of the major diversified food and packaged goods corporations. In the present economic climate, this means we must achieve a 15-percent earnings growth rate and a return on total capital of 15 percent.

Internal expansion for Dart & Kraft will come from several directions. New products will continue to be our lifeblood, although we recognize that a good many "new" products are really extensions of popular lines or modifications of existing products. However, such extensions and modifications have been and continue to be an important source of revenue. We are involved in the fundamental research, product development, quality improvement and line extensions that breathe new life into the marketplace. We also seek technological improvements that affect cost reduction, energy savings and manufacturing efficiencies.

We regard our marketplace as global in nature and are committed to profitable international expansion, bringing our reputation for quality products, dependable service and broad-scale distribution systems to additional markets that have a rising standard of living. We are well-established in North America, Europe and Australia, expanding in Latin America and entering developing markets in Southeast Asia.

Together with internal expansion and small add-on acquisitions generated by our business units, we see potential in product areas in which we do not participate at this time. In analyzing corporate acquisition opportunities, we have, of course, certain general guidelines in mind:

- First, any business addition must make a material impact on earnings. That means at least $20 million in after-tax earnings—immediately or certainly in the near future.
- Any acquisition should command a major position in the markets it serves or should be capable of achieving that kind of position.
- There must be strong, proven management in place that is capable of running its own business in a manner compatible with the diversified, decentralized organization style and structure we plan to employ.
- Any company should be well-regarded by its customers for quality products or services, with international market applications.
- And, above all, any acquisition candidate must have the potential to contribute to the performance goals I have outlined.

In view of the strength and successful performance of our existing business mix, we are not compelled to make an acquisition to meet our growth objectives. However, we will move with deliberate speed where we identify attractive opportunities—opportunities that enhance our future prospects for product, market and financial leadership. In this regard, we have entered into a merger agreement that would result in Hobart Corporation becoming a subsidiary of Dart & Kraft and the Hobart shareholders receiving a cash price of $40 per common share of Hobart. The tender offer expires March 19, 1981, unless extended.

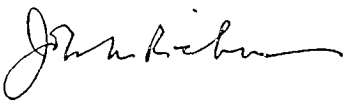
Hobart Corporation, headquartered in Troy, Ohio, manufactures commercial food equipment and produces the KitchenAid line of quality home appliances. Hobart recorded net income of $33 million on sales of $665 million in 1980. I believe that Hobart will be an excellent addition to our company. A strong leader in its markets, Hobart has an outstanding reputation worldwide for quality products and innovation.

Concurrent with an ongoing program of internal growth and selective acquisitions, we realize that we must prune those operations with less potential and reallocate our resources to situations with greater growth opportunity. As we see it, candidates for divestiture would be operations that are subject to product, industry or technological changes that would make it impossible for those operations, even after significant management attention, to meet the high standards we expect and demand of a Dart & Kraft business. After careful analysis, five businesses generating approximately $250 million in annual revenues in 1979, but which did not have sufficient long-term growth potential, have been sold.

A statement of policy is meaningless without the management in place to accept the stewardship of such a plan. We have set in place an organizational structure that deliberately puts emphasis on operations decision-making at the business-unit level. Each of these units—Kraft, Tupperware, Duracell, Consumer Products, Chemical-Plastics and Thatcher Glass—retains its separate identity in the marketplace. A compact corporate staff brings together highly competent individuals to perform the necessary support functions. Both operating and staff executives have the authority they need to achieve their objectives. All of us continue to benefit from the experience and ingenuity of Justin Dart who works closely with us on matters of development and growth.

With this new corporate structure firmly in place, and results for 1980 published and presented for your review, we turn our thoughts to 1981 and the years ahead. Despite worldwide economic, political, regulatory and competitive factors, the company's prospects are excellent, and we will be striving to achieve record results.

Sincerely,



John M. Richman
Chairman and Chief Executive Officer

March 16, 1981

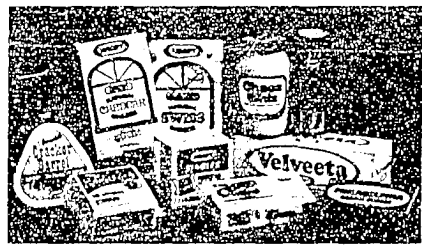
Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

This is Dart & Kraft

art & Kraft is one of the largest diversified food and packaged goods companies in the world. It has an unequaled reputation among consumers and customers based on brand names that are highly regarded for quality and value.

Dart & Kraft is a manufacturer, marketer and distributor of branded food products, other consumer products, specialty chemicals and plastics; and it has the world's largest direct-selling home-party organization. On balance, Dart & Kraft's major businesses are industry leaders and are concentrated

Food Products



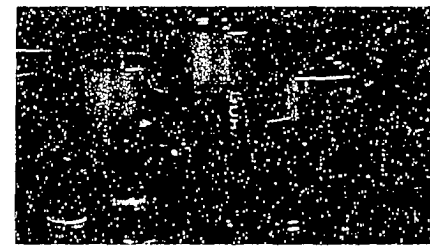
Kraft is the world's leading producer of natural and process cheeses that are sold in over 130 countries around the world. *Kraft, Cracker Barrel, Casino, Velveeta, Philadelphia Brand, Cheez Whiz* and *Light n' Lively* are familiar names to consumers in many of these markets.

Kraft produces and markets a wide variety of processed packaged foods that are respected for their premium quality by customers and consumers. These products are made from the best available ingredients under strict quality standards, and are distributed to wholesalers and retail stores for sale to consumers.

Direct Selling

Tupperware high-quality plastic containers for the preparation, storage and serving of food are offered at home parties by Tupperware dealers in more than 30 countries around the world.

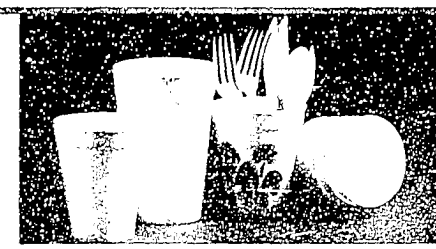
Consumer Products



Duracell is the leading producer of high-performance alkaline, mercury, lithium and silver oxide batteries, marketed worldwide under the *Duracell* trademark. Duracell batteries are used in a wide range of consumer products and other applications.

Plastic and Packaging Products

Wilsonart high-pressure decorative laminates, the United States' best-selling line, are used in residential and commercial construction and remodeling.

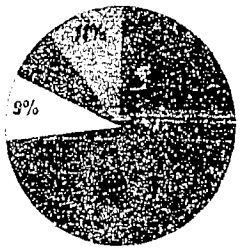


Styrocup products include decorative design and linen-weave polystyrene foam drinking cups, and plastic containers and tableware for retail markets and for the foodservice industry in the United States and Canada.

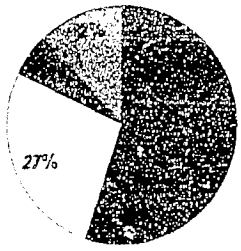
Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

in product areas that are growing faster than their respective industries. Consumers are reached through well-established distribution channels that are both varied and worldwide. Another key characteristic of the company is its substantial financial resources.

1990 Sales



1990 Operating Profit

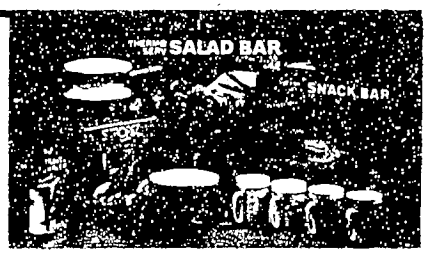


- Food Products
- Direct Selling
- Consumer Products
- Plastic and Packaging Products

Dairy products from Kraft—marketed under the *Breyers, Sealtest, Breakstone's* and *Light n' Lively* trademarks on premium products such as frozen desserts and cultured products—are distributed principally in the eastern halves of the United States and Canada.

The Foodservice Division offers restaurants and institutional food operators many products from Kraft and other leading companies. The Industrial Foods Division supplies edible oils and a variety of food ingredients to manufacturers for processing into food products, as well as to retail customers.

West Bend produces a well-known line of electric buffet appliances and coffee makers, as well as nonelectric cookware and portable home humidifiers. These products are distributed in the United States and Canada.

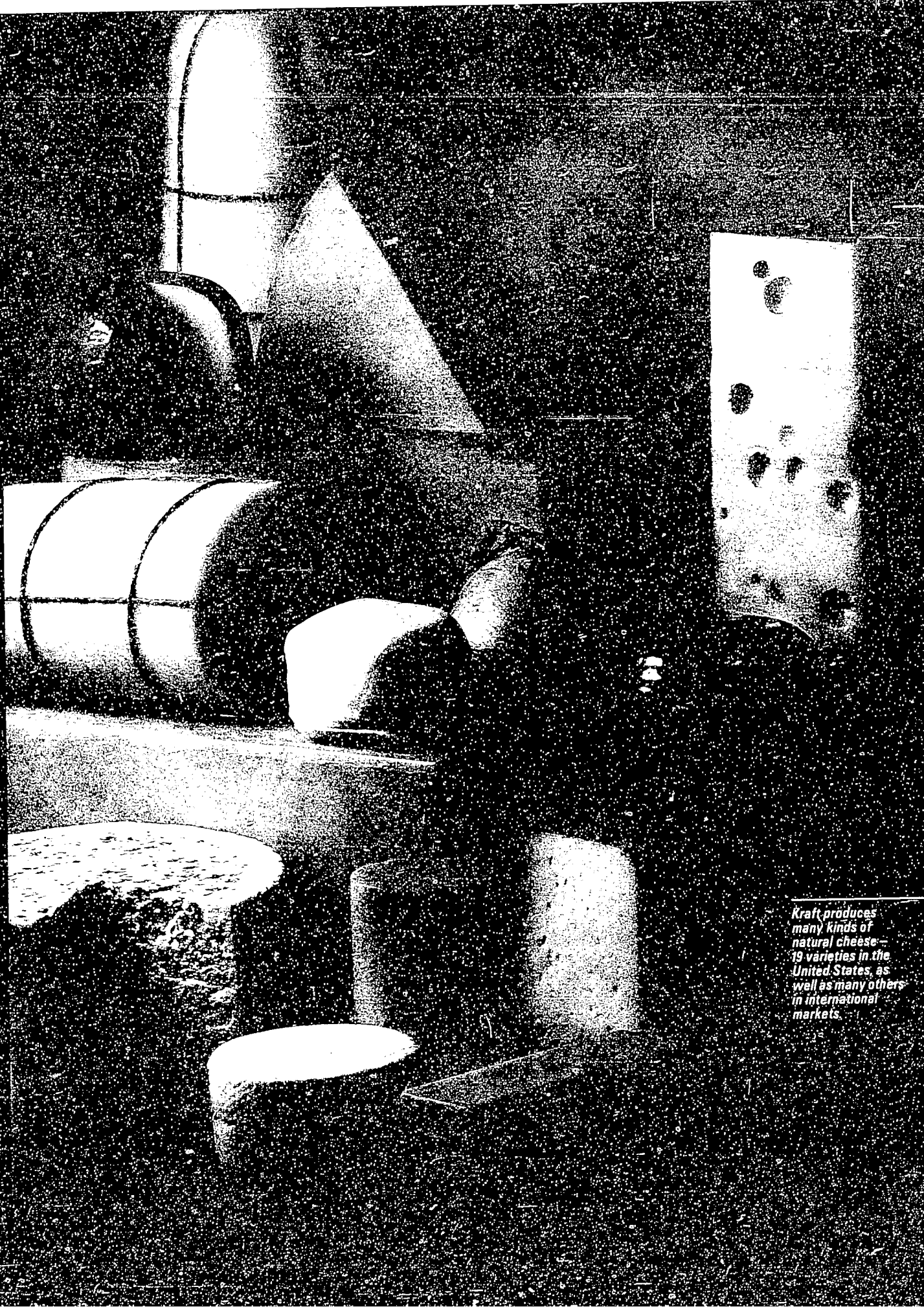


Thermo-Serv manufactures a line of insulated and noninsulated servingware and plastic giftware, under the *Thermo-Serv* and *St. Tropez* brands, offered by department and specialty stores throughout the United States.

Colorite plastic and rubber garden hose products are the favorite choices of consumers in the United States and an example of the corporation's practical application of its expertise in plastics technology.

Thatcher Glass is a major U.S. manufacturer of a diversified line of glass containers for the beer, liquor, wine, soft drink, food and other industries.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.



Kraft produces many kinds of natural cheese—19 varieties in the United States, as well as many others in international markets.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Consumption of cheese has increased steadily over the past several years, as consumers recognize that it has excellent nutritional value, comes in a variety of flavors and forms, and can be consumed "as is" or combined with a wide range of other foods.

The Food Products segment is the largest source of revenue for Dart & Kraft. It includes Kraft's retail foods, foodservice and industrial foods operations. Considered in total, Food Products revenues and profits were up in 1980, compared with the previous year, despite the dual impact of inflation and recession worldwide.

Although the food industry is relatively mature and slow growing, Kraft is positioned in the larger and faster-growing product lines, such as cheese, pourable dressings, citrus products and various reduced calorie foods. Kraft sells many of these items in its international markets, where it also has leading positions in additional product lines such as peanut butter, ketchup, cake mixes, frozen foods, and yeast spread.

During 1980, special attention was devoted in the United States to the *Casino* line of chunk natural cheese and to *Philadelphia Brand* cream cheese.

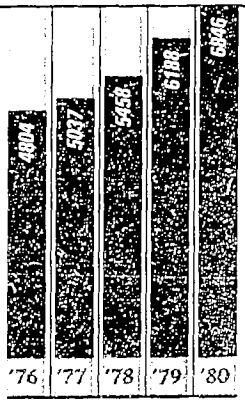
In the United States, mild cheeses represent 25 percent of the total natural cheese market, growing at a rate of 6 percent per year. To address this portion of the market, Kraft changed the marketing approach of *Casino* to highlight the mildness of this premium natural cheese line, added a mild Swiss cheese, and removed certain sharper varieties of cheese. The repositioned *Casino* cheeses were successfully test marketed through early 1980 and, by February 1981, nationwide distribution was completed.

In international markets, Kraft's natural cheese products continued to increase market share. Swiss and parmesan natural cheese chunks were introduced in Venezuela. Kraft showed strong gains in Australia for edam, gouda, Swiss, romano, parmesan and mozzarella, indicating a growing consumer preference for these varieties of natural cheese. Also, sales were far ahead of 1979 for cheddar cheese that is exported to the Middle East by Kraft's Scandinavian operation.

U.S. and Canadian cheese product introductions in 1980 capitalize on a need for convenience foods. *Oven Melts* slices of cheese and meat come in several flavor varieties, including pizza. Tasty, hot snacks made with *Oven Melts* are easily prepared by melting the slices on bread or English muffins.

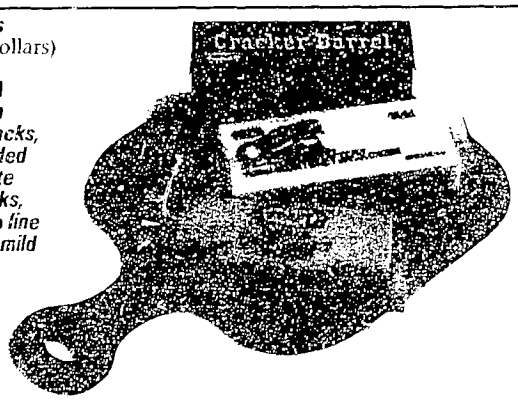
Philadelphia Brand cream cheese is in a class by itself. A natural cheese that also is marketed by Kraft in a process form, the product is available in a number of flavors that extend the basic line. Sales, which account for approximately 10 percent of the company's natural cheese volume, increased during 1980.

Philadelphia Brand cream cheese also is sold in Australia, Belgium, Canada, Germany, Italy, Mexico, Scandinavia, Spain, the United



Five-Year Sales (Millions of dollars)

Cracker Barrel *is the premium cheese for snacks, the* Kraft *branded line is a favorite with good cooks, and the* Casino *line offers several mild varieties.*



Oven Melts *cheese and meat slices were introduced in the United States in 1980 in pizza, taco, reuben and western flavor varieties.*

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

U.S. and Canadian marketing activities on behalf of Philadelphia Brand cream cheese in 1981 will note the 100th anniversary of this product, an extraordinary achievement for any branded food item.

Kingdom and Venezuela. Soft *Philadelphia Brand* cream cheese, introduced in the United States and Canada in the last 18 months, is a fast-growing new Kraft product. Although full national distribution has not been completed in either country, this line extension is expected to help a formidable Kraft product—under the *Philadelphia Brand* trademark—continue to earn new dollars.

Kraft has long held a significant share of the process cheese business. Process cheese is a product made by blending and heating various natural cheeses and other ingredients to provide a specific, uniform flavor, even texture and good keeping qualities. The process cheese category includes: *Velveeta* pasteurized process cheese spread in the familiar loaf form as well as the newly introduced, individually wrapped *Velveeta* slices, a technological innovation now in test market; *Kraft* American Singles pasteurized process cheese food; *Light n' Lively* pasteurized process cheese product; and *Cheez Whiz* pasteurized process cheese spread.

The *Golden Image* line of imitation natural cheese chunks and of sliced process cheese food—vegetable oil-based alternatives that look and taste like their counterpart products—is now available in nearly 75 percent of the United States.

Australian consumer preference for *Kraft* Singles process cheese, particularly in the 500-gram pack, grew during the year. Demand also rose in

(Left) This busy packaging line for Kraft Singles process cheese slices is in one of the five U.S. plants where this popular product is manufactured.

(Right) Kraft's Golden Image line of imitation cheese is now available in nearly 40 states.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

New soft Philadelphia Brand *cream cheese is always spreading ready.*

the Philippines for the company's low-cost, filled process cheese product, in which a portion of the butterfat has been replaced with vegetable oil.

Parkay margarine continues to be the best-selling U.S. brand. *Parkay* Light spread, now in its second year of national distribution, has claimed leadership in this newest segment of the margarine business.

Kraft's viscous dressing products did well, with *Miracle Whip* salad dressing achieving record tonnage during 1980. In addition to marketing *Kraft* real mayonnaise, the company also gained experience during 1980 in test marketing *Light n' Lively* reduced calorie mayonnaise.

Kraft pourable dressings are available in both regular and reduced calorie varieties and continue to be the market leaders in both categories. The reduced calorie market has experienced phenomenal growth, with double-digit gains every year for the last several years. It now represents 12 percent of the total pourable dressings market.

Kraft easy-to-prepare macaroni and cheese dinner is by far the largest-selling item in the packaged-dinner category. In the last three years, this Kraft line has had considerable competition from generic products. But, it is still number one and has a new advertising campaign that squares off directly against this competition.

Kraft citrus juice volume held steady in 1980. The new bulk orange

Deluxe *American*, Velveeta *and* Light n' Lively *pasteurized process cheese products are packaged in various weights for consumer convenience and economy.*

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

concentrate storage facility at Lakeland, Fla., was on stream in time to process fruit that came to market precipitately as a result of the freeze in January 1981. This will partially offset an anticipated industry shortage later this year.

During 1980, Canadian operating profit and sales tonnage both increased significantly. Cheese, dressings and peanut butter were major contributing factors. Volume received a boost from Kraft's introduction of *Super Krunch* peanut butter, three varieties of refrigerated yogurt dressings and a new line of jams called *Fruit Basket* compotes.

Australia introduced *Light n' Lively* pourable dressings nationally. In Scandinavia, pourable dressings, including the new "Sommer Salat-Dressing," a creamy cucumber type, have shown a very positive development. Belgium's *La Santé* line of low-calorie products is gaining in sales, with the low-calorie cheese line and imitation mayonnaise both number-one sellers.

In Spain, advertising for all Kraft products was doubled last year, and *Kraft* mayonnaise became the market leader during 1980. While Kraft maintained market leadership in Germany in many products, the German food market was subject to severe competition. In Venezuela, market shares of mayonnaise and soft margarine improved substan-

Kraft's a la Carte, *a new line of single-serving entrees in retort pouches, retains the fresh flavor, firm texture and true colors of the product ingredients.*

Seven of the most popular pourable dressings for salads and six of the most popular reduced calorie dressings come from Kraft.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

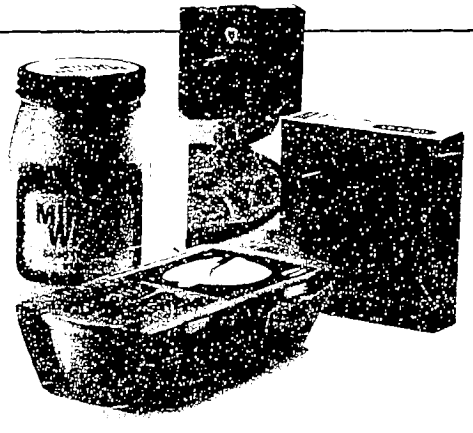
Kraft has the number-one brand position in seven of the ten U.S. grocery product categories in which it competes.

tially. Marmalades, dressings and candies all posted outstanding gains in Mexico.

Kraft Research and Development, in conjunction with the company's marketing organizations, is working on new products consistent with today's lifestyles. One example of this research is the line of *a la Carte* shelf-stable entrees packaged in retort pouches. Results have been exceptional during 1980 test marketing, with the product outselling comparable, frozen, single entrees. Kraft offers its *a la Carte* single-serving entrees in five varieties: beef burgundy, beef stew, beef stroganoff, creamed chicken, and sweet n' sour pork. Two new varieties—macaroni and beef, and salisbury steak and onions—will be introduced this year. Kraft is expanding its distribution to Atlanta and the Seattle/Spokane/Tacoma markets in 1981.

Kraft's Dairy Group sales increased last year, but operating profit remained about the same as the prior year as the result of strikes at two of its principal ice cream plants during peak warm-weather periods. Management elected to accept the disruptions in order to reinstate certain, sound, business practice controls essential to operating in a changing marketplace. The disputes were settled satisfactorily.

Ice cream, ice milk and sherbet are the Dairy Group's principal frozen dessert products. They are now available to 70 percent of the U.S.



(Left) Kraft produces eight varieties of barbecue sauce, some especially formulated to appeal to regional tastes.

(Right) These are among Kraft's number-one-selling products that set the standards for their categories.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

population, due to Dairy's expansion into new markets in recent years. The Chicago metropolitan area, for example, was the target of a strong market thrust for *Breyers* ice cream in 1980.

During 1981, the Dairy Group is introducing a unique *Breyers* ice cream half-gallon package that retains the space efficiency of the rectangular shape, but has the easy-lift-off lid of a round carton. The new container is overwrapped with a clear plastic film, which protects the carton seal and helps to maintain the freshness of the product.

As a group, *Breyers* ice cream, *Sealtest* ice cream and *Light n' Lively* ice milk increased tonnage and held market share despite the effects of the strikes. *Sealtest* sherbet, a high-growth product for the Dairy Group, has increased its tonnage 56 percent in the last five years, while overall industry sales remained flat. During the spring, a half-gallon size will be added to this sherbet line.

Cultured products include yogurt, sour cream and cottage cheese. Industry sales of yogurt softened, but *Breyers* and *Light n' Lively* maintained their respective market shares. *Breakstone's* sour cream continues to be the best-selling product of its kind. The line of *Breakstone's* cottage cheese was expanded last year to include a smooth and creamy style. Packaged under the *Sealtest*, *Breakstone's* and *Light n' Lively* labels, the Dairy Group offers more than a dozen cottage cheese styles.

As part of a renewed marketing emphasis for 1981, the Dairy Group has committed to the heaviest advertising and marketing expenditures in its history.

(Left) **Polar B'ars** ***are new ice cream novelties that were test marketed successfully in 1980 in selected Dairy Group markets.***

(Right) Cottage cheese sales tonnage rose 7 percent in 1980. **Light n' Lively** ***is one of the company's market-leading brands.***

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

In Canada, Dominion Dairies Limited test marketed *Super 2*, a youth-oriented dairy drink that combines milk's nutritional value with the flavor variety of soft drinks. Dominion also is testing ultra-high-temperature milk, which does not require refrigeration until it is opened.

To outline activities for 1981, details of a comprehensive marketing and promotional program were unveiled before 600 U.S. and Canadian sales representatives at the group's first international conference. In addition to increased advertising, the effort includes a computerized field sales merchandising program that allows the sales force and its customers to better identify areas of service opportunities. The program has been tested successfully in several districts and will be expanded to all sales areas by mid-1981.

Kraft's Foodservice and Industrial Group achieved gains in operating profit over the prior year, due to the good performance of the Foodservice Division.

Foodservice was organized as a division in 1976 to market and distribute a broad line of food and other products to purveyors of all meals prepared outside the home. At the present time, 24 of 32 Foodservice districts in major metropolitan areas have converted their facilities to broadline distribution centers. These

Breyers natural vanilla ice cream is now available in the Midwest in this innovative, half-gallon package.

(Right) This sundae-style yogurt is a light snack that is a natural for freshness and flavor.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

By 1980, Kraft Foodservice was well-established as a nationwide broadline operation, and it grew at a faster pace than the industry at large.

districts offer a basic Kraft line of 600 items plus a selection of more than 1,200 frozen, dry and refrigerated foods and nonfood items from leading suppliers. When all 32 broadline districts are fully operational, about 20 percent of U.S. markets will continue to be served with Kraft products sold by independent distributors.

As a service to its customers, the division is heavily involved in working with fast-food and other foodservice chains to provide technical and research assistance on their product development, menu planning and recipe formulation.

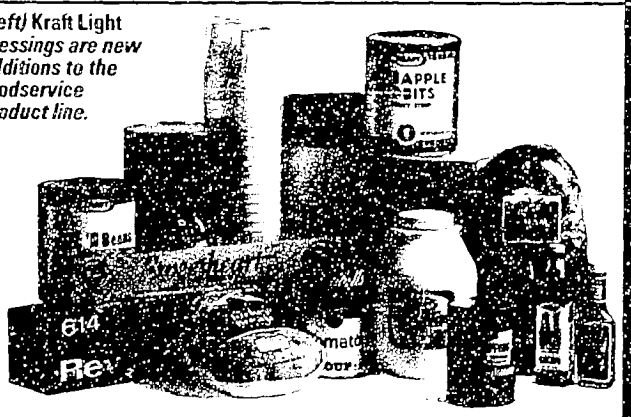
Foodservice is testing an intriguing program with a large fast-food chain. This is a promotion involving Kraft's branded products as parts of menu items. The campaign is under close scrutiny as a prototype for future joint-promotion ventures. Opportunities could be substantial for Kraft if brand awareness were to become as important a factor in the restaurant industry as it is in the grocery business.

The $100-billion away-from-home food industry suffered a decrease in real growth during 1980 as a result of many factors, including inflation. Kraft's Foodservice Division improved its operating profit by concentrating on sales to fast-food and institutional foodservice operations, whose businesses were affected less by the economic climate.

While not a part of the Foodservice Division, several Kraft international operations have active food-

Kraft Foodservice supplies cheeses, prepared meats and salads, bakery products and associated items to supermarket delicatessens.

(Left) The Foodservice Division offers a broad line of products, such as these from Kraft and other top-quality manufacturers.



(Left) **Kraft Light** *dressings are new additions to the foodservice product line.*

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

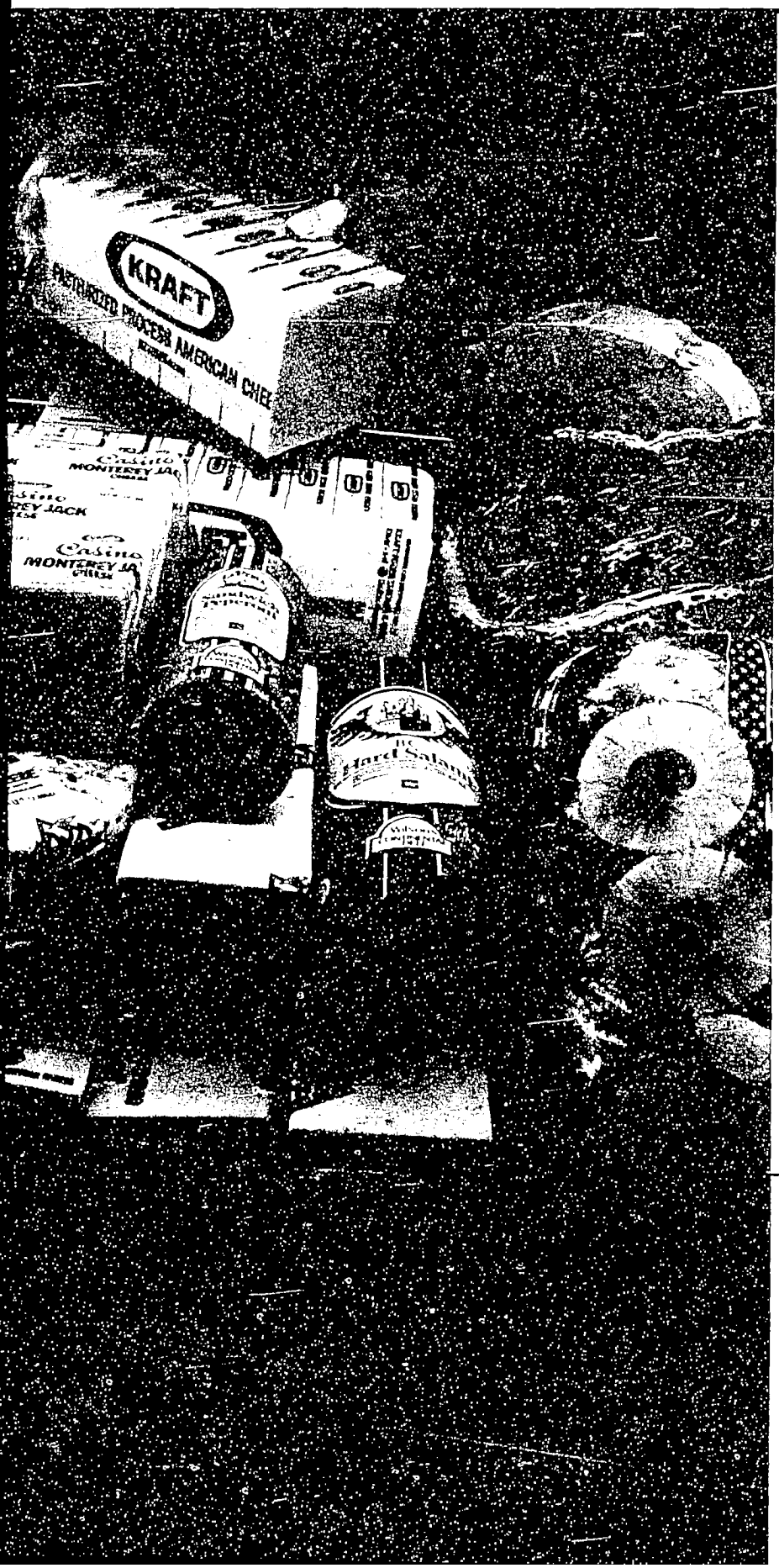
service businesses. The foodservice area of Kraft's Canadian operation has shown excellent sales and profit growth.

Some Industrial Foods Division products did well in 1980, but the bulk edible oils business suffered during the first half of the year due to depressed industry conditions. In addition to edible oils and shortenings, this division supplies cheese products, dressings for salads, snack seasonings, protein products, food flavorings and dozens of other essential food ingredients, as well as replacements for dairy products to other companies for their use.

Humko Products, the edible-oil refining operation of the Industrial Foods Division, processes eight oils at its three refineries. During the year, it introduced a 100-percent sunflower oil product that, because it is high in polyunsaturates, has a good chance of becoming a major factor in the consumer market.

The fuel and energy efficiency improvement of the Industrial Foods Division plants for 1980 versus the base year of 1972, established by the U.S. government, was 29.4 percent, due in part to recent capital expenditures designed to conserve energy.

New industrial products planned for roll-out in 1981 include a confectionery fat, a line of natural food flavors, varieties of imitation cheese, and forms of soy protein isolates.



Kraft produces and sells industrial foods and food ingredients to many other companies for use in their products or for sale to retail chains.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Last fall, Tupperware U.S. introduced an Ultra-Clear series of Counterparts containers that can be used for a wide variety of food storage and decorating purposes in the home.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

ver the years, Tupperware International's consistent success has been based on three factors—growth of its dealer force, a continuous stream of new products and entry into new markets.

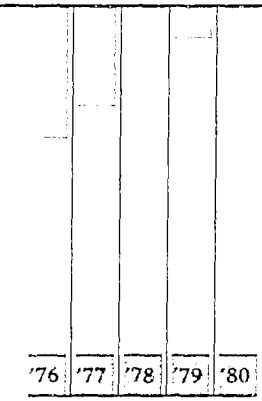
The Direct Selling segment benefited from the strong performance of Tupperware International, its largest component.

Tupperware's results set records during 1980, extending a history of more than doubling profits and sales every five years since 1958. Tupperware-U.S. contributed the largest share of both volume and profits of any Tupperware operation, although combined non-U.S. operations accounted for more than 55 percent of overall profits and sales. The 1980 results reflected across-the-board gains worldwide, despite high inflation and recessionary conditions. Consumers continue to recognize the value and quality of *Tupperware* products for storing today's higher-priced grocery items.

In addition to a broad line of products for storing, preparing and serving food, the company manufactures and sells a planting system for use in the home, a line of items for the storage of miscellaneous articles around the home, and a group of specially designed and engineered children's toys. The *Tupperware* line offers 120 quality products developed to serve the needs and the lifestyles of its customers. To create items that best reflect the current needs of the individual, the company studies the buying habits of the consumer and packaging trends in grocery products. A new or improved *Tupperware* product is added to the catalog about every 60 days. While products may vary from country to country, this practice remains consistent worldwide.

In the United States, the development of a clear plastic and a push-button seal resulted in the design and introduction of the *Ultra-Clear* series of six canisters, called *Counterparts*, which was received enthusiastically by customers. Other products continue to be introduced on a programmed basis in each country in which *Tupperware* products are sold. In the early stages of development, Latin America represents a large, rapidly growing market for *Tupperware* products. The company entered South Korea during the year with a small sales organization.

Concern about inflation and unemployment around the world



Five-Year Sales
(Millions of dollars)

The Tupperware *party has become a well-established tradition around the world. Demonstrations, in the relaxed environment of the home, provide the perfect way for dealers to offer guests products and information that save time, space, energy and money.*

The Pak-N-Carry *kit from Tupperware has become increasingly popular in school and office lunchrooms.*

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

oday, consumers place a premium on completely using all food purchases; and food-storage containers that keep food fresher longer and retard spoilage command the attention of the smart shopper.

creates a need for many families to supplement their incomes. Because of this, many people choose to become Tupperware dealers. In 1980, the number of independent dealers grew more than 10 percent, well above historical levels.

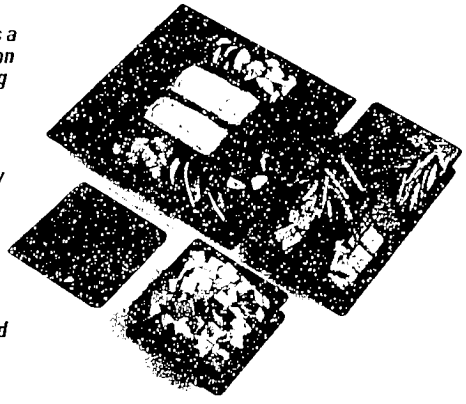
People are paramount to Tupperware International's success. The dealers, managers and distributors are recognized fully by the Tupperware management and their own peers for their accomplishments. They are not Tupperware employees, but they invest of their own time and effort and, in the case of the distributor, substantial sums of money in operating their businesses. Their rewards are commensurate with their efforts.

In all 21 of the Tupperware worldwide production facilities, the company continued its program to update and modernize plants and equipment, to increase resource conservation and to improve efficiency. In addition, the company has expedited extension of cost-reduction technology to all of its overseas manufacturing units in order to partially offset the effects of inflation on the cost of raw materials.

A new facility began production in Portugal and, to keep pace with rising demand, plant expansions were

The Tuppercraft *planting system is a unique combination of planter, planting medium and plant nutrient.*

The Get Togethers *buffet set not only enhances the table but also provides the convenience of containers with* Tupperware *seals that can be nested for storage.*



Toys by Tupperware *are among the most popular items in the line. One of the newest products is this* Mini-Party *set, which includes child-sized versions of* Tupperware *plates, tumblers and a* Cake Taker *container.*

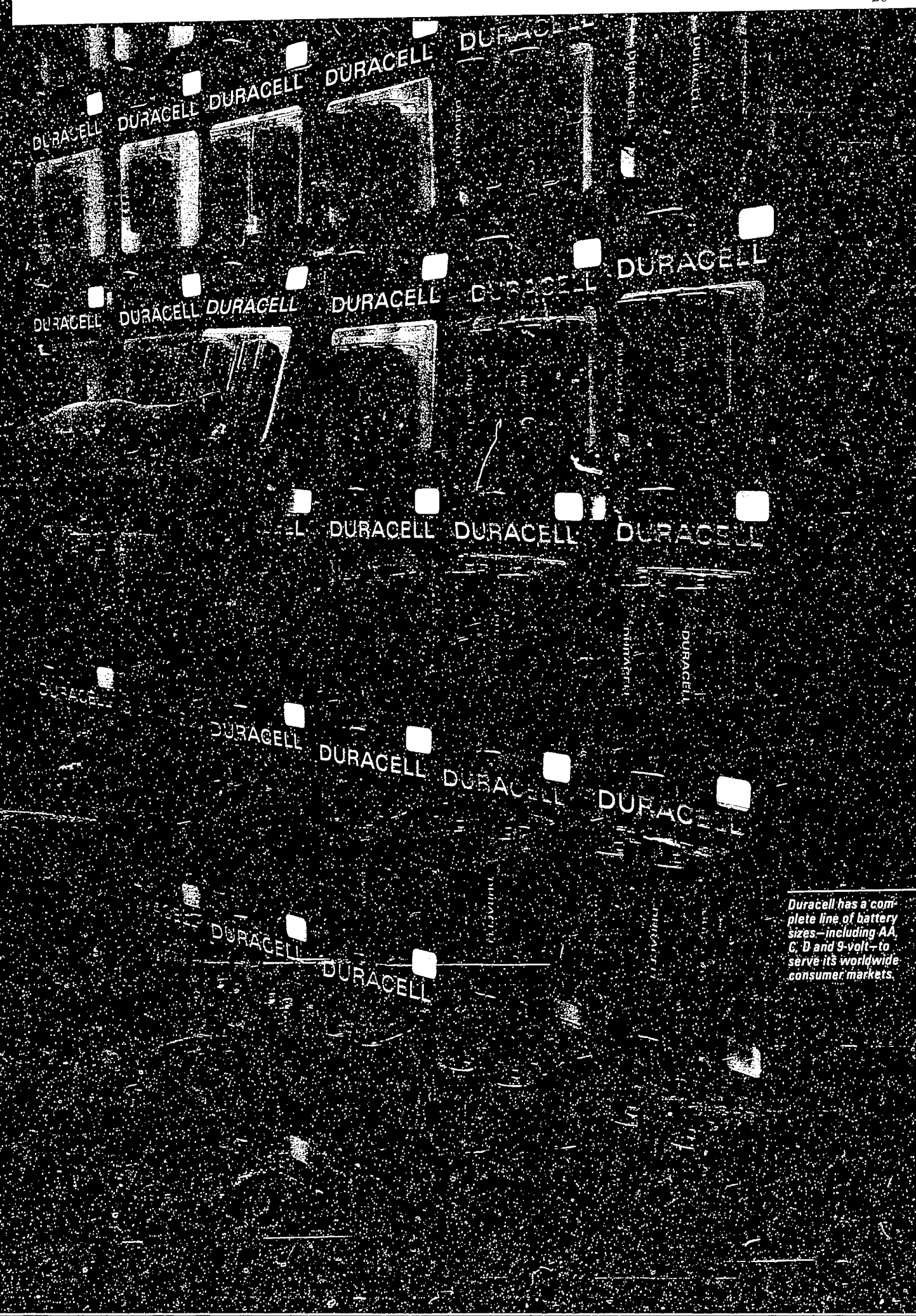
(Far Right) The Mini-Mix-It *set for children offers scaled-down versions of* Tupperware *baking aids.*

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

completed in Brazil, Mexico and Venezuela. In the United States, Tupperware completed construction of a new hydroelectric generating station to provide partial power requirements for its Rhode Island plant. This new power source is expected to save the equivalent of 21,000 barrels of oil annually. It was the first plant of its kind to receive a license in the United States under new federal energy regulations designed to speed the reduction of the nation's dependence on foreign oil.

In the future, this business unit expects its market strength to continue. Furthermore, Tupperware International is ready with innovations and improvements. Research and development teams are completing work on new products to be issued over the next three years and are in early development stages for other items. Like all *Tupperware* products, they will be guaranteed against chipping, cracking, peeling and breaking, and most will feature the *Tupperware* seals to prolong freshness. In addition, the majority of food-storage containers are dishwasher safe, an improvement implemented in 1979.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.


DURACELL
DURACELL
DURACELL

A strong brand franchise, excellent distribution and efficient manufacturing have enabled Duracell to become the world's largest manufacturer of high-performance alkaline batteries. This product is the fastest-growing segment of the $2.5-billion worldwide primary dry cell battery market.

The Consumer Products segment of the business reported sales increases in all areas—Duracell, West Bend and Thermo-Serv—reflecting the effectiveness of a strong marketing program for each product line.

Last year, Duracell had a more than 20-percent sales increase, continuing the growth pattern of each of the past five years; and, even more importantly, profits grew at a much faster rate.

During 1980, the growth of the *Duracell* brand continued at the highest rate in the industry, far outpacing the battery market in total.

Duracell manufactures and distributes high-performance alkaline, mercury and silver oxide batteries and the newer lithium systems. More than 80 percent of the company's sales are to the consumer replacement market.

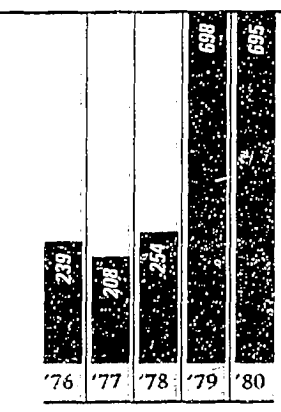
In recent years, Duracell's strong market position has been achieved through growing consumer acceptance of the *Duracell* alkaline battery because of its superior operating characteristics, such as longer life, greater storage capabilities and more consistent power than ordinary zinc carbon batteries. Flashlights, radios, toys and tape recorders comprise the largest share of the consumer replacement market. This market has been enlarged substantially by the new generation of battery-powered products, such as smoke alarms, calculators and electronic games, many of which are designed specifically for use with alkaline batteries.

Duracell's operations in Europe reached new volume levels during 1980. The European market for primary dry cell batteries approximates that of the United States. However, the consumer trend toward the use of alkaline batteries in Europe is still several years behind the United States.

In Canada, Duracell continues as a dominant alkaline battery brand, achieving new sales records in 1980. Elsewhere, the company's activities in Australia and in Mexico and other countries of Latin America increased significantly last year, both from local subsidiaries and from U.S. export sales. New sales operations were established in several Caribbean countries. Significantly, *Duracell* is the only primary battery manufactured and sold worldwide under a single brand name.

In 1980, the thrust of Duracell's technical efforts was directed to basic research and applications engineering to commercialize the company's family of lithium batteries, as well as to upgrade the performance characteristics of its other battery types.

Considered the next generation of high-performance batteries, the lithium product has superior operating characteristics in terms of more energy density, significantly longer shelf life than present portable power sources, and the ability to withstand temperature extremes. Today, lithium battery sales are primarily for government and industrial applications, although there is promising consumer potential.



Five-Year Sales
(Millions of dollars)

The 4.5-volt **Duracell** *alkaline battery, introduced in France last year, is used primarily for lighting and radio applications.*

Duracell has introduced its first consumer lithium battery, for use in photographic equipment, as an alternative to a more costly silver oxide battery.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

With research and development expenditures doubled at both West Bend and Thermo-Serv, strong foundations for future new products were laid during the year. This is expected to accelerate the introduction of higher quality, innovative lines of new products.

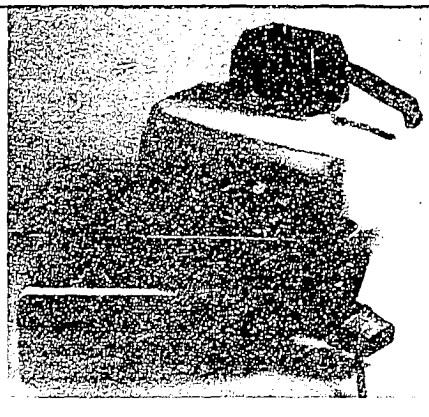
West Bend and Thermo-Serv sales were ahead of a year ago, bolstered by aggressive, new product development programs. Both companies' efforts have been outstanding, with profit gains for the past three years in a difficult consumer environment.

West Bend is one of the leading manufacturers and marketers of small electric appliances, humidifiers and high-quality cookware in the United States and Canada. Thermo-Serv manufactures and markets insulated and noninsulated plastic serving pieces and giftware under the *Thermo-Serv* and *St. Tropez* trademarks, as well as *Travel Tumbler* and *Travel Tankard* beverage holders.

West Bend's 1980 new product thrust centered on basic kitchen items designed to make food preparation more convenient for the consumer who must budget time as well as dollars. A major innovation that complements its electric buffet appliance line is the newly introduced *West Bend* high-quality stainless steel cookware bonded with Du Pont's SilverStone premium nonstick coating. West Bend Canada successfully added an electric tea kettle, as well as stainless steel electric cookware.

At Thermo-Serv, the *St. Tropez* line of high-quality insulated bar and servingware, introduced in late 1979, did very well despite the recessionary environment clouding the plastic gift-housewares market.

This year, Thermo-Serv is adding a decorator line of insulated bar and servingware, coordinated with the "Audrey" designer collection of table linens.



The Triple Timer *line of electronic timers and the convection skillet oven were introduced to housewares buyers in January 1981.*

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

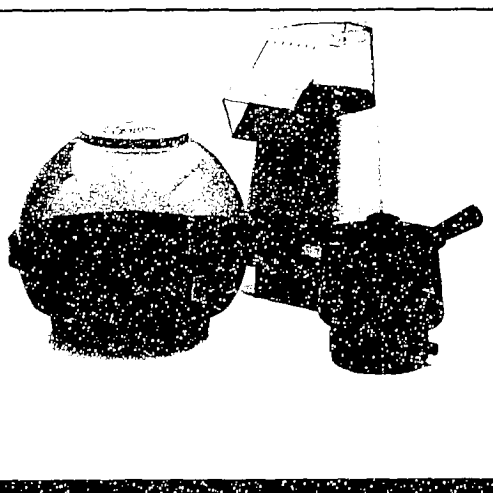
West Bend plans to introduce nearly 20 new products this year, which will expand the company's presence in the basic categories of the business. In January 1981, the company launched a *Triple Timer* line of electronic timers for the kitchen and other home uses, a convection skillet oven, and an electric potato baker. West Bend Canada has developed a full line of portable gas barbecue grills.

This year, Thermo-Serv is expanding its *St. Tropez* line with two new items, plus a series of wood-trimmed serving pieces. It also will offer a designer series of beverage and serving pieces, coordinated with the "Audrey" line of designer table linens, featured in U.S. department stores and specialty shops.

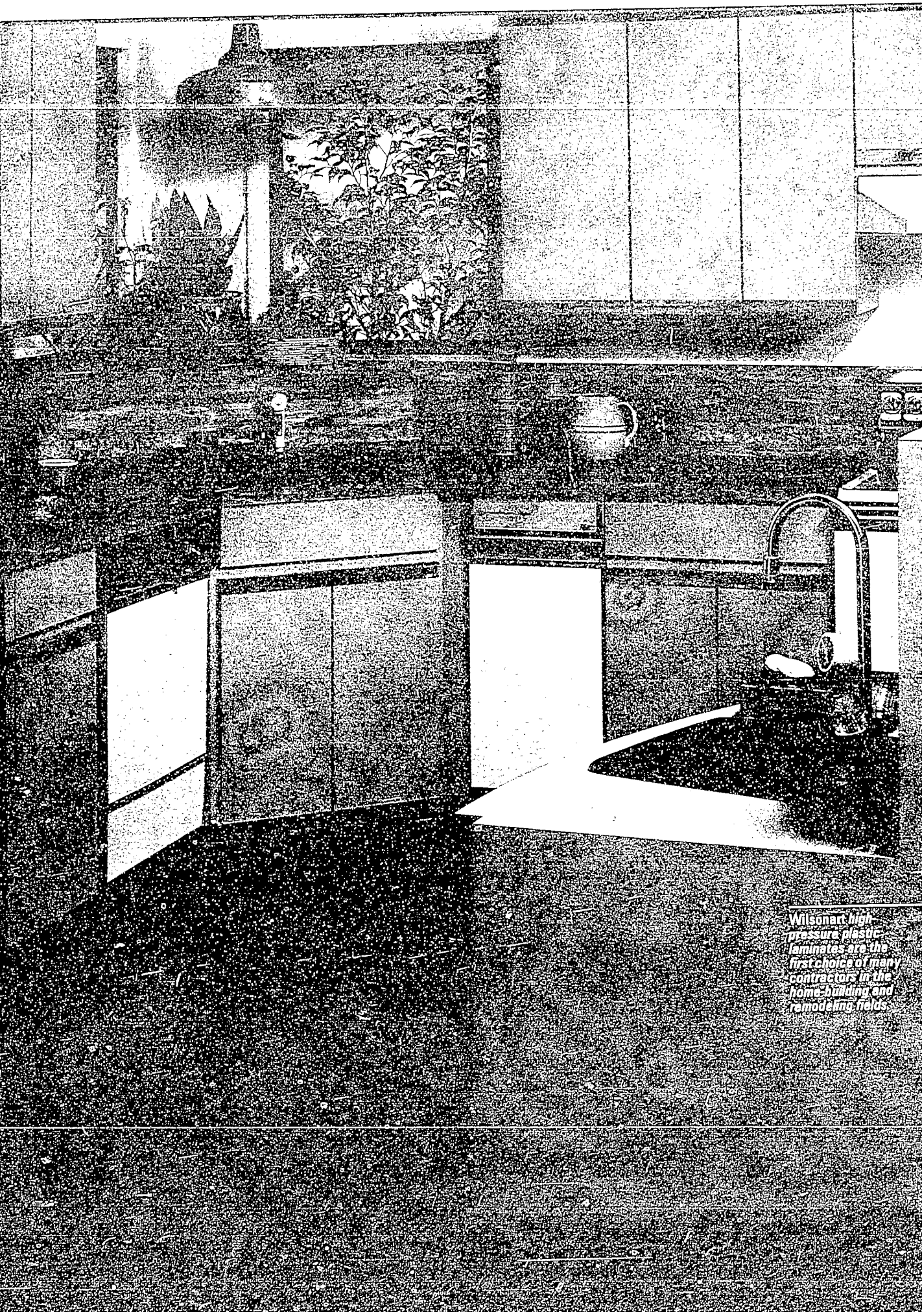
During 1980, preliminary steps were taken for the installation this year of computerized production monitoring systems at both West Bend and Thermo-Serv. Also, West Bend's Sheridan, Ark., facility was expanded to provide additional capacity to meet the growing demand for electric appliances.

The West Bend original electric wok continues to be one of the best-selling buffet appliances in the line.

(Right) West Bend offers a line of entertainment appliances that includes the latest in conventional and hot-air popcorn poppers and the versatile Hot 'N Handy *electric sauce pot.*



Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.


Wilsonart high-pressure plastic laminates are the first choice of many contractors in the home-building and remodeling fields.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Many operations of Plastic and Packaging Products showed improvement, compared with a year ago, because of aggressive, service-oriented marketing programs, productivity improvements, and new product introductions.

Extraordinary efforts by operating management in the Plastic and Packaging Products segment partially offset the soft economic conditions in the housing and automotive industries.

The largest portion of this segment is the chemical specialties sector, which consists of nine companies that make chemicals for the plastics industry, produce high-technology specialty resins, or manufacture precision plastic products. Each has captured a significant market share because of technical expertise, unique product characteristics and special service to customers. Plans are to expand this sector through internal development and add-on acquisitions.

Dart & Kraft is one of the world's leaders in the development and use of plastics technology. It has one of the country's largest and most respected research and development laboratories, located in Paramus, N.J., serving outside customers as well as company operations, including Tupperware International.

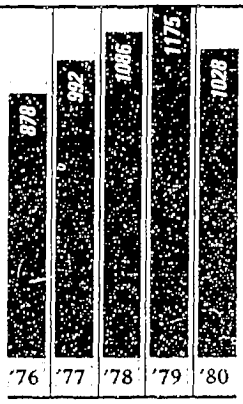
The *Wilsonart* line of decorative plastic laminates moved into the number-one position in its product category by increasing its number of board-feet sales and out-performing the competition. These laminates were marketed heavily to home remodelers during last year's depressed period of new construction. Because *Wilsonart* dealers have earned a reputation for unmatched service, the product line has gained considerable brand loyalty among customers.

Styro Products continued to report good sales; however, profits suffered due to severe price competition throughout the industry. Rigid quality controls and an aggressive sales program have generated increased demand for *Styroweave* textured foam plastic drinking cups—which increasingly are taking the place of traditional paper cups for cold drinks—and the other foam products it manufactures.

The Health Care sector, which includes Seamless Hospital Products and Absorbent Cotton, registered strong gains during the past year. Seamless Hospital Products produces and markets a wide range of medical, surgical and hospital supplies, while Absorbent Cotton manufactures cotton and gauze products for medical, industrial first-aid and cosmetics uses. The outlook for 1981 is favorable.

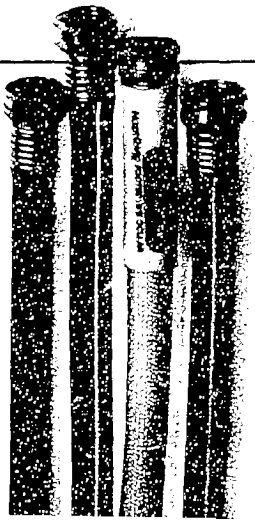
Results for Thatcher Glass Manufacturing, the best performer in its industry, were affected by recessionary conditions and by a continuation of the switch to plastic containers for soft drinks, which has created excess capacity in the glass business. While marketing efforts improved tonnage, profit margins suffered.

Universal Packaging Corporation manufactures folding cartons, plastic containers and plastic film for the food industry, including Kraft. The company is regarded as one of the most cost-effective manufacturers in the packaging industry. Increased demand for Universal's products has led to the major expansion of its Fort Smith, Ark., folding carton plant, a project that should be completed this year.



Five-Year Sales
(Millions of dollars)

Colorite now offers home gardeners the choice of plastic or rubber garden hoses in a variety of convenient lengths.



The Styrocup container is the first choice of many foodservice operators and retail customers for both hot and cold beverages.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Areas of the world in which Dart & Kraft sells its products are depicted on this map. Sales throughout each region could originate from any number of countries in addition to those in which Dart & Kraft has manufacturing or distribution facilities, or licensees, as listed in the description of each area.

United States. The United States, where Dart & Kraft is headquartered, generates the major portion of operating profit and sales. With a population of about 226 million, this country produced operating profit of $550.8 million on sales of $6.6 billion in 1980. U.S. operations have 58 percent of the identifiable assets, in addition to most of the corporate assets—13 percent of total assets.

Canada. Located within Canada are a number of manufacturing or distribution operations from each of Dart & Kraft's business units, except for Thatcher Glass. These operations are organized to serve Canadian markets. During 1980, Canada, with a population of 24 million, accounted for $62.4 million of the corporation's operating profit and $843.6 million of its sales. This country has 6 percent of Dart & Kraft's identifiable assets.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Latin America. Latin America has become increasingly important to Dart & Kraft businesses in recent years. The corporation maintains operations in Argentina, Brazil, Chile, Mexico, Panama and Venezuela. The total region reported an operating profit of $36.1 million on sales of $231.1 million in 1980, utilizing 4 percent of the company's identifiable assets. Dart & Kraft's operations are in countries with a total population of about 245 million out of the 360 million people in the entire region.

Western Europe, Africa and Middle East. In Western Europe, Africa and the Middle East, Dart & Kraft has operations in Austria, Bahrain, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, South Africa, Spain, Sweden, Switzerland, Turkey and the United Kingdom. During 1980, these countries, utilizing 14 percent of identifiable assets, generated $100.0 million of operating profit from sales of $1.4 billion. The population totals 390 million out of a total regional population of 945 million.

Pacific Area. Australia, the Pacific Islands and Asia constitute a wide geographic area where Dart & Kraft is represented with operations in Australia, Hong Kong, Japan, Malaysia, New Zealand, the Philippines, Singapore and Thailand. Operating profit last year amounted to $58.8 million from sales of $360.1 million, on an investment of 5 percent of the corporation's identifiable assets. These countries have a population of 246 million, with a total regional population of about 1.3 billion.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Dart & Kraft in the Community

art & Kraft joins with others in the active pursuit of community enrichment and a better quality of life for all.

Dart & Kraft's concern for the community is exceeded only by its concern for the individual. As the company draws strength from the cities and towns in which it operates, so does it benefit from the varied skills and accomplishments of its employees and the interest of its customers and consumers.

The corporation and its subsidiaries support education in myriad ways. This includes direct monetary contributions to institutions of higher education and the establishment of fellowships in various disciplines. As an example, Kraft provides annual fellowships for senior medical students and post-doctoral physicians at The University of Chicago Medical School to encourage careers related to human nutrition and its effects on good health.

In another field, for the past several years, Dart Industries has funded the University of Southern California's Center for the Study of Private Enterprise, exploring the impact of private enterprise on the American economic system.

Additionally, Dart & Kraft has a well-structured program of financial support, including matching grants to accredited colleges and universities, hospitals and United Way campaigns. The company is also an active sponsor of the National Merit Scholarship Program for the children of employees.

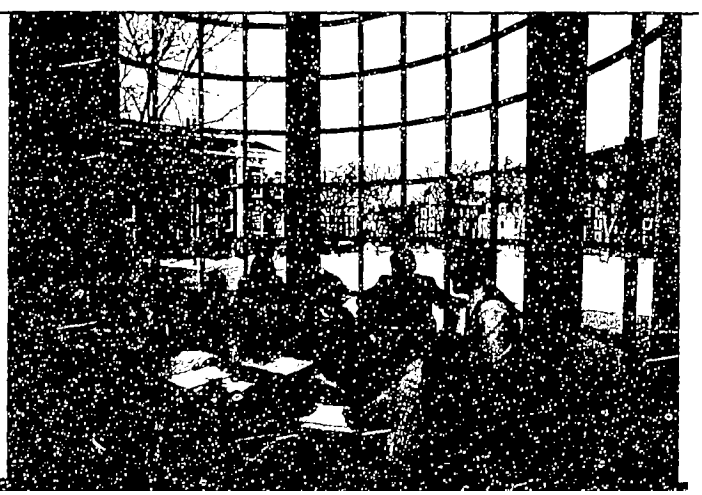
Many of the company's activities center on youth. The Ralph Wilson Youth Clubs of Temple, Texas, were built by the founder of Ralph Wilson Plastics, an operation of the Chemical-Plastics business unit, and are maintained in part by funds and services from the Ralph Wilson Public Trust and the corporation.

Kraft co-sponsors the state and national 4-H Health Awards Program, which involves over five million young people annually. It also sponsors the "Follow Up" program of the League of United Latin American Citizens, which has introduced hundreds of Hispanic college students to careers in corporate America.

Working with black and Hispanic groups, Kraft's Plant City Affirmative Action Taskforce Groups bring various local Kraft managers together to work in programs of economic development, community education and social service.

Dart & Kraft also has an ongoing sponsorship program of various activities in the performing arts, including symphony, opera, drama and dance. Various business units provide support to public television, at both local and national levels.

The corporation has a continuing program to preserve and improve environmental quality, and it places great emphasis on controlling emissions and wastes and on conserving resources. Various of its research and development activities focus on reducing the environmental impact of its many operations.



(Left) At the Ralph Wilson Youth Clubs, 3,000 boys and girls participate in a wide range of sports activities, arts and crafts programs, and community learning adventures.

(Right) Dart & Kraft supports education with donations to colleges and universities, and provides scholarships and grants to students.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Summary of Selected Financial Data*

	1980	1979	1978	1977	1976
Summary of operations:		(Dollars in millions, except per share)			
Net sales	$ 9,411	$ 8,824	$ 7,491	$ 6,828	$ 6,443
Costs and expenses–					
Cost of products	7,032	6,586	5,605	5,161	4,903
Delivery, sales and administrative expense	1,695	1,553	1,259	1,146	1,058
Interest expense	73	69	59	54	42
Interest income	(50)	(44)	(45)	(26)	(13)
Other income, net	(33)	(16)	(10)	(10)	(15)
Total costs and expenses	$ 8,717	$ 8,148	$ 6,868	$ 6,325	$ 5,975
Income from operations	$ 694	$ 676	$ 623	$ 503	$ 468
Non-operating items	19	17	(14)	—	—
Income before taxes	713	693	609	503	468
Provision for taxes on income	330	333	298	240	231
Net income	$ 383	$ 360	$ 311	$ 263	$ 237
Net income from operations per dollar of sales	4.0¢	4.1¢	4.3¢	3.9¢	3.7¢
Dividends to shareholders	$ 150	$ 132	$ 117	$ 94	$ 80
Per share of common stock:					
Net income from operations	$ 6.89	$ 6.59	$ 5.92	$ 4.87	$ 4.39
Net income	$ 7.03	$ 6.62	$ 5.73	$ 4.87	$ 4.39
Net income–fully diluted	$ 7.01	$ 6.60	$ 5.70	$ 4.84	$ 4.36
Dividends–Dart & Kraft	$ .80**	—	—	—	—
Dividends–Kraft	$ 2.40**	$ 3.00	$ 2.65	$ 2.32	$ 2.12
Dividends–Dart	$ 1.50**	$ 1.80	$ 1.60	$ 1.00	$ .66
Financial position:					
Current assets	$ 2,774	$ 2,700	$ 2,414	$ 2,122	$ 1,820
Current liabilities	1,291	1,212	1,154	825	761
Working capital	1,483	1,488	1,260	1,297	1,059
Property, plant and equipment, net	1,379	1,264	1,259	1,118	1,082
Total assets	4,650	4,382	4,063	3,525	3,148
Long-term debt	540	596	606	597	476
Shareholders' equity	2,621	2,383	2,151	1,953	1,781
Per share of common stock	$ 48.14	$ 43.90	$ 39.69	$ 36.08	$ 33.06
Return on average equity	15.3%	15.9%	15.2%	14.1%	13.9%
Statistical information:					
Capital expenditures	$ 337	$ 257	$ 202	$ 172	$ 207
Depreciation	153	143	130	120	110
Total taxes–income, property, payroll and other	469	464	413	341	326
Per share of common stock	$ 8.61	$ 8.53	$ 7.60	$ 6.30	$ 6.03
Payroll and employee benefits	1,499	1,513	1,251	1,138	1,068
Average number of employees	79,968	78,656	88,736	78,108	77,504
Number of shareholders at year-end	86,050	89,747	92,207	95,437	99,311
Number of shares of common stock outstanding at year-end (thousands)	54,439	54,278	54,196	54,124	53,865
Average number of common and common equivalent shares (thousands)	54,489	54,367	54,309	54,096	54,079

*See Note 1 of the Notes to the Consolidated Financial Statements.
**1980 dividends–Dart & Kraft, fourth quarter only. Kraft and Dart Industries, first three quarters only.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of the major elements relating to the company's financial and operating results for 1980 compared with 1979, and for 1979 compared with 1978. The comments that follow in this section should be read in conjunction with the company's Consolidated Financial Statements and related notes, beginning on page 34 of this report.

Net Sales

The company's net sales in 1980 were $9.4 billion, an increase of $587 million or 7%, compared with a $1.3-billion increase or 18% in 1979. Direct comparisons between the years are difficult and require consideration of the year-end 1978 acquisition of Duracell International and several business dispositions. See Note 12 to the Consolidated Financial Statements for a description of these dispositions.

The following assessment of sales results is after adjustment for the acquisition and dispositions. On this basis, the company's net sales increased 11% in 1980, compared with 13% in 1979. In 1980, the increase was primarily the result of higher prices and also the volume gains at Tupperware and Duracell. Price increases were also the major factor in 1979, although volume was ahead of 1978.

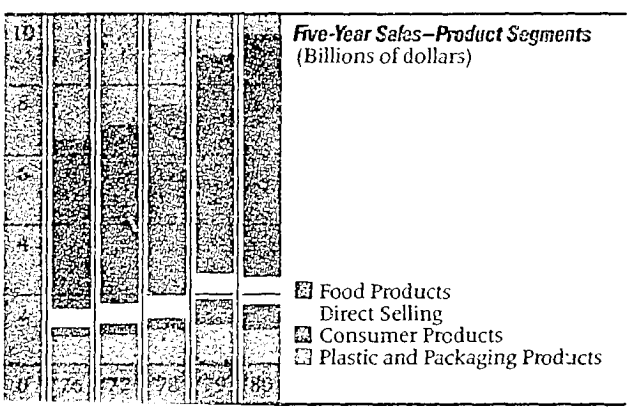
The sales increase in the Food Products segment was 11% in 1980 and 13% in 1979. Substantially all of the increase in 1980 and 76% of the increase in 1979 were due to increased prices necessary to recover higher costs and to changes in product mix. The volume growth experienced primarily in cheese, citrus products and the international operations in 1980 was offset primarily by lower milk sales. The reduction in milk sales reflects a planned withdrawal from several market areas where excess industry capacity precludes operating at reasonable profit levels. For 1979, volume growth was experienced in virtually all product lines in the U.S. and international markets.

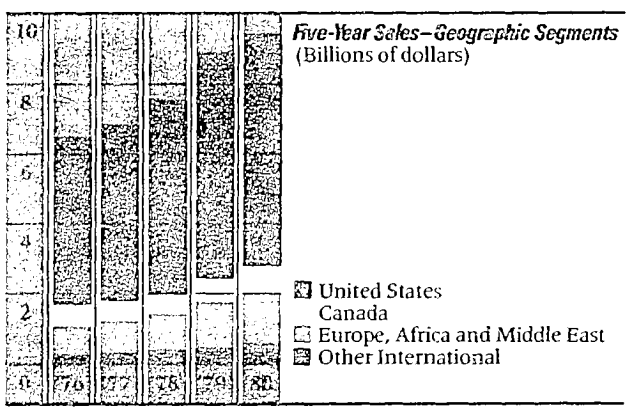
Adjusted sales in the Direct Selling segment increased 12% in 1980, compared with 13% in 1979. Approximately 65% of the increase in 1980 sales and 55% in 1979 were due to higher prices. Volume growth was led by gains in the United States, Latin America and Canada, with only Europe showing the effects of weak economies.

The Consumer Products segment sales increased 22% on an adjusted basis in 1980 and 18% in 1979. Batteries accounted for the majority of the increase. The two-year improvement was principally the result of a continuation of strong volume gains in the U.S., European and Canadian markets.

Adjusted sales in the Plastic and Packaging Products segment increased 9% in 1980, compared with an 11% gain in 1979. Growth in this segment slowed somewhat in 1980 due to adverse economic conditions affecting the housing and automotive industries served by these operations. Also, the glass packaging industry continued to experience weakening demand caused by the expansion of plastic bottles in the soft-drink market.

On a geographic basis, adjusted net sales for 1980 outside the United States were strong, with an increase of 16% compared with a 9% rise in the United States. This is similar to 1979, when sales outside the United States increased 14%, and U.S. sales were up 10%. The 1980 increases outside the United States were led by 15% and 44% gains in the Canadian and Latin American areas, respectively.





Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Operating Profit

Operating profit in the Food Products segment in 1980 increased 10% after the 11% gain in 1979. Improved sales, tonnage and operating margins for processed foods in the U.S., Canadian, Latin American and Pacific markets were entirely responsible for the increase in 1980. European operations, which were down 23%, were affected by reduced general economic activity in 1980, particularly in the United Kingdom and Germany. In 1979, substantially all of the food operations contributed to the increase.

The Direct Selling segment showed an increase in operating profit of 8% in 1980, compared with 7% in 1979. The increase came mainly from higher sales of Tupperware containers in the U.S., Canadian and Latin American markets in both years. A significant increase in the independent dealer organization contributed to the good performance.

Operating profit in the Consumer Products segment decreased 11% in 1980 after almost doubling in 1979. The decline in 1980 resulted from the divestiture of several businesses that had contributed $12 million to profits during 1979. However, Duracell showed a significant improvement of $9 million in 1980, which was the result of higher volume, prices and improved margins. Approximately 90% of the improvement in 1979 is accounted for by the Duracell operations, which were included for only one month of 1978. The other major unit, West Bend, had only a slight increase for the year, as softening consumer spending trends impacted the last half of 1980.

Weak demand from the depressed housing and automotive industries negatively affected several chemical businesses and their operating margins. The inability to increase prices to recover higher material and energy costs in styro products and glass containers also hurt operating margins. These two factors account for almost one-third of the depressed income from the Plastic and Packaging Products segment in 1980. The remaining decrease resulted from the divestiture of several businesses that accounted for $29 million of the 1979 income, but only $9 million for the months of 1980 during which they were operated.

Interest Expense and Income

The modest increase in interest expense for 1980 was the result of higher prevailing interest rates. The increase in 1979 resulted from increases in the average short-term debt at higher prevailing rates and the addition of the Duracell International debt.

Interest income for 1980 increased due to higher rates earned, as well as an increase in the average funds invested. Interest income in 1979 was basically flat compared with 1978.

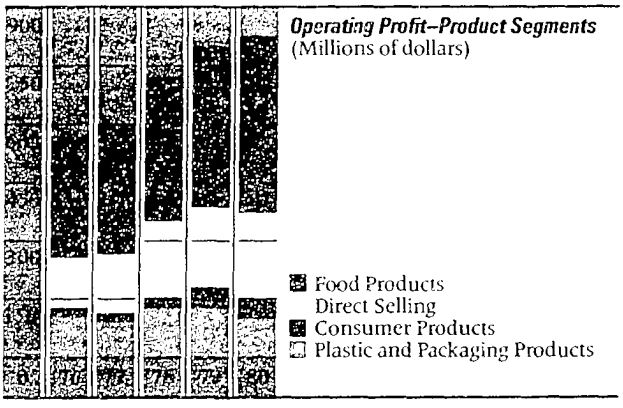
Other Income

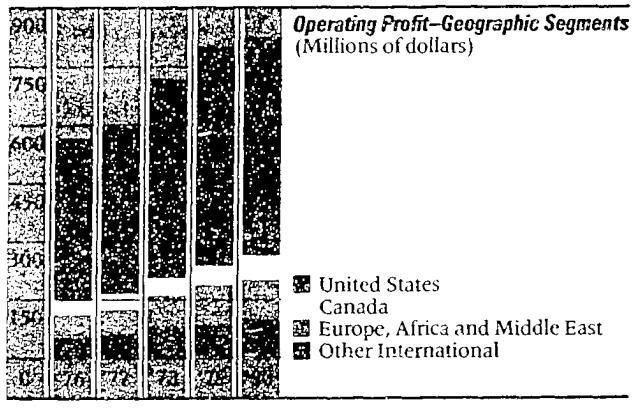
Other income items, after a $5-million increase in 1979, rose dramatically in 1980. Foreign currency translation of balance sheet items accounts for $14 million of the improvement.

Non-Operating Items

Non-operating items were significant in both 1980 and 1979. In 1980, gains of approximately $20 million from antitrust litigation settlements from most of the principal defendants in a Kraft lawsuit against many of its folding carton suppliers; $15 million from the sale of Syroco, a division in the Consumer Products segment; and $13 million from the repurchase of bonds issued by Kraft and by Dart Industries were included. Offsetting these gains were a $20-million provision for the restructuring or disposition of several small operations and $9 million of expenses associated with the merger of Dart Industries and Kraft.

In 1979, the gain of approximately $48 million from the sale of the plastic raw materials business was partially offset by the provision of $31 million for the planned restructuring and disposition of several small operations. In 1978, the provision for disposition of small operations was $14 million.





Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Income Taxes
The provision for income taxes was $3 million lower in 1980. The lower effective tax rate applicable to non-operating gains in 1980, together with an increase of almost $7 million in investment tax credits, more than offset the tax on higher earnings. Dart Industries had no investment tax credit in 1979 because of the recapture of credits associated with businesses sold.

In 1979, the provision increased 12% on a 14% gain in pre-tax income. The increase was moderated by the reduction in the U.S. statutory tax rate from 48% in 1978 to 46% in 1979 and by the special United Kingdom tax credit, amounting to $4 million.

Earnings Per Share
Increases in earnings per share were consistent with the changes in net income during both years.

For a discussion of the impact of inflation and changing prices on the company's operations, see the Effects of Inflation on Dart & Kraft, starting on page 49.

Financial Condition
During the last two years, internal funds have been sufficient to provide for the company's financial needs. Debt has been reduced by $64 million and now represents 21% of total capital, down from 28% in 1978.

Funds generated from operations continued to increase, primarily due to higher earnings. Net working capital—excluding cash, temporary investments, short-term borrowings and current portion of long-term debt—increased by $134 million in 1980 after advancing by $97 million during 1979. Higher receivables and inventories were due largely to inflation and a higher level of business. Accounts receivable days outstanding remained about level with 1979, while the days supply in inventory increased modestly.

At December 31, 1980, the company had approximately $917 million of available borrowing under its lines of credit, including a $500-million revolving credit agreement with 14 banks that was initiated in December 1980 for general corporate purposes, including acquisitions. In addition, cash and temporary investments amounted to $327 million at year-end. This is sufficient to support the day-to-day operations of the company's businesses, as well as to provide for acquisitions.

Capital Expenditures
The company's capital expenditures during 1980 were a record $337 million, an increase of 31% over 1979. This was on top of a 27% increase in 1979.

The company's program to invest in productivity and growth for the future was apparent in both years. In 1980, about two-thirds of the capital expenditures were for improved efficiency and replacement, and one-third for expanded capacity. Expenditures were approximately $248 million in the United States, $16 million in Canada and $73 million in all other countries.

For 1981, capital expenditures are expected to be down slightly to about $320 million, reflecting the completion of some major programs at Duracell and Thatcher in 1980.

See Note 5 to the Consolidated Financial Statements for a discussion of capital and operating leases.

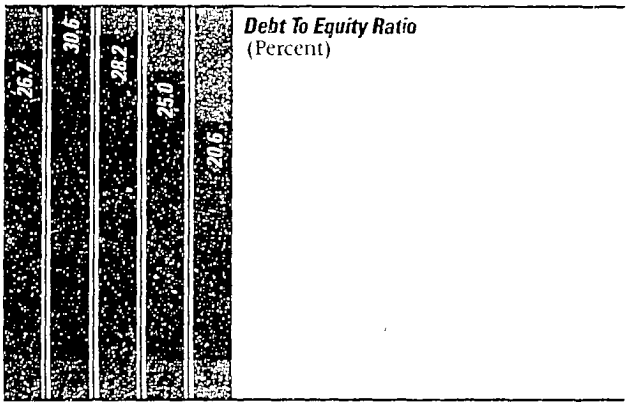
Common Stock Market Prices and Dividends

The principal market for the company's common stock is the New York Stock Exchange. The quarterly high and low prices of Dart & Kraft common stock since the reorganization on September 25, 1980, are as follows:

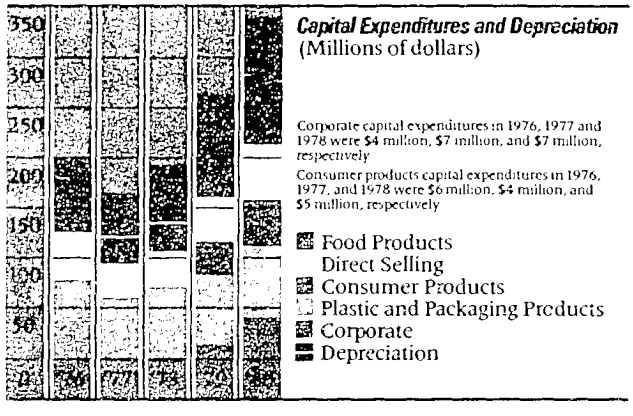
	Low	High
Third Quarter (traded during last three days only)	43⅛	45
Fourth Quarter	39¾	45⅛

Dividends paid to holders of common stock totaled $150 million in 1980, compared with $132 million in 1979 and $117 million in 1978. Dividends in 1981 are expected to increase by almost $24 million solely as the result of the merger. Dart & Kraft paid dividends of 80¢ per share during the fourth quarter of 1980. This is the same rate as paid by Kraft during the first three quarters, but 30¢ per quarter higher than had been paid by Dart Industries. In addition, the Board increased the quarterly dividend by 5¢ to a rate of 85¢ for the first quarter of 1981.

On February 19, 1981, the approximate number of holders of record of the company's common shares was 84,490.



Debt To Equity Ratio
(Percent)



Capital Expenditures and Depreciation
(Millions of dollars)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Translation of Foreign Currencies

The effect of fluctuations of foreign currency translation rates on 1980 net income is summarized in the accompanying table. Also, see Note 1 of the Notes to the Consolidated Financial Statements.

	1980			
Gains (Losses) (In millions)	United States	Canada	International	Worldwide Total
Balance sheet accounts:				
Before income taxes	$(3.7)	$ .2	$ 9.4	$ 5.9
Income taxes	$(1.8)	$(1)	$(5.0)	$(6.9)
After income taxes	$(1.9)	$ .3	$ 14.4	$ 12.8

In addition, as a result of charging inventories to cost of products sold at historical rates rather than at the rates in effect at the time of sale, net income for 1980 was affected as follows:

	Canada	International	Worldwide Total
Gains (Losses) (In millions)	$(.8)	$(9.6)	$(10.4)

In 1979, translation of foreign currency balance sheet accounts at current rates resulted in an after-tax loss of $2.2 million, which was more than offset by a gain of $3.1 million, resulting from charging inventories to cost of products sold at historical rates of exchange.

Legal Matters

The Federal Trade Commission (FTC) has concluded a lengthy investigation relating principally to the terms of a long-standing contractual arrangement between Kraft and the Pillsbury Company, under which Kraft sells refrigerated dough bakery products manufactured by Pillsbury to the retail trade. Kraft and Pillsbury have agreed to amend their contract to render it clearly nonexclusive and to shorten the notice periods in the event either party decides to terminate or deal with a third party, although the amended contract affirms the right of each party to deal only with the other. The Federal Trade Commission has accepted a proposed order incorporating the amended contract, and it was published for comment on February 17, 1981. It is anticipated that the FTC will issue a complaint and consent order disposing of the matter shortly after the comment period expires. Amendment of the contract is not expected to alter the day-to-day working relationship between Kraft and Pillsbury.

Also, see Note 10 of the Notes to the Consolidated Financial Statements.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Consolidated Statement of Income

	Years Ended December 31,		
	1980	1979	1978
	(Dollars in millions, except per share)		
Net sales	**$ 9,411.5**	$ 8,824.5	$ 7,491.4
Costs and expenses:			
Cost of products	**7,032.8**	6,586.3	5,605.2
Delivery, sales and administrative expense	**1,694.9**	1,552.9	1,259.5
Interest expense	**72.8**	69.2	59.1
Interest income	**(49.8)**	(44.2)	(44.8)
Other income, net	**(33.0)**	(15.3)	(10.0)
Total	**8,717.7**	8,148.9	6,869.0
Income from operations	**693.8**	675.6	622.4
Non-operating items	**19.3**	17.4	(13.7)
Income before taxes	**713.1**	693.0	608.7
Provision for taxes on income	**330.0**	333.2	297.6
Net income	**$ 383.1**	$ 359.8	$ 311.1
Net income per common and common equivalent share	**$ 7.03**	$ 6.62	$ 5.73
Average number of common and common equivalent shares	**54.5**	54.4	54.3

Consolidated Statement of Shareholders' Equity

For the Three Years Ended December 31, 1980	Number of Shares		Amounts (Dollars in millions)			
	Common Stock	Treasury Stock	Common Stock	Treasury Stock	Capital Surplus	Retained Earnings
Balance December 31, 1977	54,305,207	180,745	$135.8	$(7.7)	$ 325.0	$ 1,502.7
1978 net income						311.1
Stock Ownership Plan		1,500		(.1)	(.1)	
Cash dividends						(116.8)
Incentive Plan		(212)				
Stock options exercised	52,637	(20,293)	.1	.9	1.6	
Balance December 31, 1978	54,357,844	161,740	135.9	(6.9)	326.5	1,697.0
1979 net income						359.8
Stock Ownership Plan		85				
Cash dividends						(131.7)
Incentive Plan		(212)				
Stock options exercised	44,615	(37,142)	.1	1.6	1.6	
Other					.1	
Balance December 31, 1979	54,402,459	124,471	136.0	(5.3)	328.2	1,925.1
1980 net income						383.1
Stock Ownership Plan	2,500	(64,765)		2.7	.5	
Cash dividends						(150.3)
Incentive Plan	8	(203)				
Stock options exercised	34,789	(58,138)	.1	2.6	.7	
Other		(965)			.6	(.4)
Balance December 31, 1980	54,439,756	400	$136.1	—Nil—	$330.0	$ 2,157.5

(See Notes to the Consolidated Financial Statements, pages 37-47.)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

	Dec. 31, 1980	Dec. 31, 1979
	(Dollars in millions, except par value)	
Assets		
Cash	$ 95.3	$ 85.2
Time deposits and certificates of deposit	126.0	136.8
Temporary investments, at cost that approximates market	105.6	220.5
Total cash and temporary investments	326.9	442.5
Notes and accounts receivable	829.0	769.0
Less—Allowance for doubtful notes and accounts	(29.0)	(26.0)
	800.0	743.0
Inventories	1,646.9	1,514.9
Total current assets	2,773.8	2,700.4
Investments and other assets:		
3M Company common stock held in escrow for exchange by holders of 4¼% and 4¾% debentures at cost (market value—$50.0 in 1980, $42.6 in 1979)	35.2	35.2
Other investments and long-term receivables (less allowance of $6.7 in 1980 and $6.1 in 1979)	219.2	160.4
Prepaid and deferred items	97.9	77.0
	352.3	272.6
Property, plant and equipment, at cost	2,420.1	2,245.0
Less—Accumulated depreciation	(1,041.0)	(981.5)
	1,379.1	1,263.5
Intangibles, less amortization	145.1	145.4
Total assets	$ 4,650.3	$ 4,381.9
Liabilities and Shareholders' Equity		
Accounts and drafts payable	$ 513.4	$ 492.4
Short-term bank loans	130.8	104.8
Accrued liabilities	424.7	378.7
Taxes on income	208.7	220.9
Current portion of long-term debt	13.2	15.3
Total current liabilities	1,290.8	1,212.1
Long-term debt	540.2	595.6
Deferred taxes on income	133.7	115.4
Miscellaneous other liabilities	60.8	72.6
Minority interest in subsidiary	4.3	3.3
Shareholders' equity:		
Preferred stock, $5.00 par value, authorized 50,000,000 shares; issued—none	—	—
Common stock, $2.50 par value, authorized 200,000,000 shares; issued 54,439,756 shares in 1980 and 54,402,459 shares in 1979	136.1	136.0
Capital surplus	330.0	328.2
Retained earnings	2,157.5	1,925.1
Less—Treasury stock, 400 shares in 1980 and 124,471 in 1979, at cost	—	(5.3)
Unearned portion of restricted stock issued for future services	(3.1)	(1.1)
Total shareholders' equity	2,620.5	2,382.9
Total liabilities and shareholders' equity	$ 4,650.3	$ 4,381.9

Contingencies (See Note 10.)

(See Notes to the Consolidated Financial Statements, pages 37-47.)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Consolidated Statement of Changes in Financial Position

	Years Ended December 31,		
	1980	1979	1978
	(Dollars in millions)		
Working capital provided by:			
Operations—			
Net income	**$ 383.1**	$ 359.8	$ 311.1
Items that do not use working capital—			
Depreciation	**153.2**	143.2	129.8
Deferred taxes on income	**18.3**	8.1	23.6
Provision for loss on divestitures	**6.5**	23.3	—
	$ 561.1	$ 534.4	$ 464.5
Increase in miscellaneous other liabilities	**—**	2.8	9.3
Decrease in long-term receivables	**—**	53.5	—
Book value of property dispositions	**67.9**	112.2	30.6
Increase in long-term debt	**14.3**	11.5	5.7
	$ 643.3	$ 714.4	$ 510.1
Working capital used for:			
Decrease in miscellaneous other liabilities	**$ 18.3**	$ —	$ —
Increase in long-term receivables	**58.8**	—	12.0
Acquisition of Duracell International	**—**	11.8	151.8
Cash dividends paid	**150.3**	131.7	116.8
Property, plant and equipment additions	**336.7**	257.3	202.4
Decrease in long-term debt	**69.7**	23.9	28.6
Redemption of portion of DM Bonds	**—**	—	30.1
Increase in prepaid pension costs	**20.8**	6.0	8.8
Other, net	**(6.0)**	2.7	2.3
	$ 648.6	$ 433.4	$ 552.8
Increase (decrease) in working capital	**$(5.3)**	$ 281.0	$(42.7)
Increases (decreases) in working capital:			
Cash, time deposits and temporary investments	**$(115.6)**	$ 93.6	$(107.8)
Notes and accounts receivable	**57.0**	73.5	134.6
Inventories	**132.0**	172.3	257.3
Amount paid after year-end to complete purchase of Duracell International	**—**	65.7	(65.7)
Accounts and drafts payable and accrued liabilities	**(67.0)**	(101.9)	(189.8)
Short-term bank loans	**(26.0)**	24.6	(18.5)
Taxes on income	**12.2**	(46.7)	(50.4)
Current portion of long-term debt	**2.1**	(.1)	(2.4)
Increase (decrease) in working capital	**$(5.3)**	$ 281.0	$(42.7)

(See Notes to the Consolidated Financial Statements, pages 37-47.)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

NOTE 1: Summary of Significant Accounting Policies

Basis of Consolidation

As a result of a reorganization on September 25, 1980, involving Kraft, Inc. and Dart Industries Inc., in which those companies became wholly owned subsidiaries of Dart & Kraft, Inc., all shares of Kraft's common stock, Dart's common stock and Dart's $2.00 cumulative convertible preferred stock then outstanding were converted into an identical number of shares of Dart & Kraft common stock, $2.50 par value. In accordance with the reorganization agreement, all capital stock of Dart and of Kraft that was held in treasury at the reorganization date was retired. This combination was accounted for as a pooling of interests. Accordingly, certain adjustments were necessary to the shareholders' equity accounts as follows:

	Common Stock	Preferred Stock	Treasury Stock	Capital Surplus	Retained Earnings
			(In millions)		
Balance December 31, 1977—					
Dart Industries	$ 29.1	$ 14.9	$(1.6)	$299.8	$ 504.7
Kraft	73.6	—	(66.3)	49.4	1,052.2
Combined	102.7	14.9	(67.9)	349.2	1,556.9
Adjustments for pooling of interests—					
Conversion of preferred stock	7.4	(14.7)		7.3	
Retirement of treasury stock and conversion of common stock	25.7	(.2)	60.2	(31.5)	(54.2)
Balance December 31, 1977—					
Dart & Kraft	$135.8	$ –0–	$(7.7)	$325.0	$1,502.7

The accompanying consolidated financial statements represent the consolidated financial position of Dart & Kraft and its subsidiaries as of December 31, 1980 and 1979, and the consolidated results of operations of Dart & Kraft and its subsidiaries for the three-year period ended December 31, 1980.

For the nine-month period prior to the combination, the net sales and net income of Kraft were $5.2 billion and $168.4 million, respectively, and the net sales and net income of Dart were $1.7 billion and $118.0 million, respectively.

The net sales and net income of Dart & Kraft included in the Consolidated Statement of Income for the two years ended December 31, 1979, and the Summary of Selected Financial Data for the four years ended December 31, 1979, represent the combined results of operations of Dart Industries and Kraft for those periods as follows:

	(In millions) December 31*			
	1979	1978	1977	1976
Net sales				
As previously reported—				
Dart Industries	$2,403.3	$1,833.2	$1,601.0	$1,476.2
Kraft	6,432.9	5,669.9	5,238.8	4,976.6
Intercompany	(11.7)	(11.7)	(11.3)	(9.6)
Dart & Kraft	$8,824.5	$7,491.4	$6,828.5	$6,443.2
Net income				
As previously reported—				
Dart Industries	$ 171.7	$ 127.1	$ 109.2	$ 101.6
Kraft	188.1	184.0	154.1	135.6
Dart & Kraft	$ 359.8	$ 311.1	$ 263.3	$ 237.2

*Includes Kraft on a 52/53-week basis.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

The consolidated financial statements include the accounts of domestic and international subsidiaries, except for investments in certain companies and ventures in which there are ownership interests ranging from 20% to 50% and investments in a real estate subsidiary and an insurance subsidiary. Such investments are accounted for on the equity method and their operations are not significant. Investments of under 20% ownership are accounted for on the cost method.

The voting stock of all consolidated subsidiaries is wholly owned, except for a minority interest in a Canadian subsidiary. All significant intercompany accounts and transactions are eliminated in consolidation.

The Kraft financial statements are included for the fiscal years ended December 27, 1980, December 29, 1979, and December 30, 1978, because Kraft operates on a 52/53-week fiscal year rather than a calendar year. The differences in reporting on a fiscal-year rather than a calendar-year basis are not significant to the consolidated financial statements of Dart & Kraft.

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing on the balance sheet dates, except for inventories, prepaid expenses, fixed assets, investments and other assets, intangibles and deferred income taxes, which generally are translated at the rates of exchange prevailing at the time such assets were acquired or liabilities incurred. Income and expense accounts are translated at the average rates of exchange in effect during the period, except for costs of products, depreciation and amortization, which are translated at historical rates.

Translation adjustments originating during the years are reflected in income. Adjustments of balance sheet accounts affected net income as follows:

	(In millions)
Year	Increase (Decrease)
1980	**$12.8**
1979	(2.2)
1978	(9.1)

In addition, as a result of charging inventories to cost of products sold at historical exchange rates rather than rates in effect at the time of sale, net income was affected as follows:

	(In millions)
Year	Increase (Decrease)
1980	**$(10.4)**
1979	3.1
1978	19.0

Inventory Valuation

Inventories are valued at the lower of cost or market. For substantially all food products, cost is determined using the average cost method. For all other products, the first-in, first-out method is used. Inventory cost includes costs of raw materials, labor and overhead. Because of the nature of the businesses, it is impracticable to segregate inventories into raw materials, work in process and finished goods.

Depreciation

The company and its subsidiaries follow the policy of providing, by charges against income, for depreciation of the gross book value of depreciable property. Such charges generally are computed on a straight-line basis over their estimated average useful lives, except for certain machinery and equipment for which charges are computed on a composite basis over estimated group lives. The rates of depreciation are as follows:

Buildings and improvements—2% to 10%
Machinery and equipment—5% to 33⅓%

On routine disposals of depreciable assets computed on a composite basis, the gross book value less the proceeds or salvage value is charged to accumulated depreciation. On all other sales or retirements of property, plant and equipment, gain or loss is recognized.

Expenditures for maintenance, repairs, renewals and improvements that do not prolong materially the normal useful life of the asset or are of a minor nature are charged to expense. Expenditures for renewals and improvements of a relatively major nature that substantially extend the normal useful life of the asset are capitalized.

Intangibles

Currently, the excess of cost over net assets of businesses acquired prior to November 1, 1970, ($23.5 million at December 31, 1980) is not being amortized because the company believes there has been no reduction in the value of these businesses. The excess of cost over net assets of businesses acquired subsequent to November 1, 1970, ($118.5 million at December 31, 1980, net of amortization) is being amortized over periods up to 40 years, in accordance with current accounting principles.

Research and Development Costs

Research and development costs are charged to expense as incurred.

Advertising

Advertising costs are charged to expense as incurred.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Undistributed Earnings of International Subsidiaries
Federal income taxes are provided for on the portion of each international subsidiary's earnings that is not expected to be invested permanently. At December 31, 1980, approximately $355.9 million of such net undistributed earnings were considered to be invested permanently.

Interest Capitalization
During 1980, the company adopted the policy of capitalizing a portion of the interest cost incurred during the period in which expenditures for properties are classified as uncompleted capital additions. Such policy was adopted prospectively in conformity with Statement No. 34 of the Financial Accounting Standards Board (FASB) and resulted in interest capitalization of $7.8 million for the year ended December 31, 1980.

NOTE 2: Details of Balance Sheet

	(In millions)	
	December 31,	
	1980	1979
Notes and accounts receivable:		
Trade	**$ 735.0**	$ 690.2
Other	**94.0**	78.8
	829.0	769.0
Less—Allowance for doubtful notes and accounts	**(29.0)**	(26.0)
	$ 800.0	$ 743.0
Properties, at cost:		
Land	**$ 44.9**	$ 43.8
Buildings and improvements	**687.0**	654.2
Machinery and equipment	**1,595.1**	1,475.2
Uncompleted capital additions	**93.1**	71.8
	2,420.1	2,245.0
Less—Accumulated depreciation	**(1,041.0)**	(981.5)
	$1,379.1	$1,263.5
Accrued liabilities:		
Payrolls	**$ 95.3**	$ 86.8
Taxes, other than taxes on income	**30.0**	25.1
Interest	**15.8**	12.0
All other	**283.6**	254.8
	$ 424.7	$ 378.7

NOTE 3: Cash and Lines of Credit

The company and its subsidiaries had unused lines of credit amounting to $916.8 million at December 31, 1980. Balances of approximately $21.5 million were maintained at banks to offset routine banking service charges and to support lines of credit. It is the company's policy to maintain bank lines of credit at least equal to its outstanding commercial paper.

NOTE 4: Other Investments

In general, other security investments are stated at the lower of cost or estimated realizable value. Market quotations on certain miscellaneous investments are not available. Included in Other Investments at December 31, 1980 and 1979, were amounts of $25.6 million and $29.0 million, respectively, the equivalent of DM 50 million which will be used for the full or partial redemption of the outstanding 7½% DM convertible bearer bonds. The interest rate earned on the investment is 8½% per annum.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

NOTE 5: Financing Arrangements

Short-Term Borrowings

	(In millions)					
	December 31,					
	1980		1979		1978	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Commercial paper	$ —	—%	$ —	—%	$ 10.4	10.2%
Bank loans	**$130.8**	**25.2**	104.8	16.0	119.0	10.0
	$130.8	**25.2**	$104.8	16.0	$129.4	10.0
Average short-term debt (monthly)	**$133.3**	**21.3%**	$139.2	11.6%	$132.8	10.2%
Maximum period-end short-term debt	**$153.2**	**—**	$219.8	—	$169.1	—

The average monthly borrowings and weighted average interest rates were determined using period-end borrowings and the interest rates applicable to them. Commercial paper is sold on the open market in the United States and Canada through money-market dealers. Higher 1980 interest rates are due mainly to higher loan levels in Latin America.

Long-Term Debt

The obligations of the company and its subsidiaries are listed below:

	(In millions)	
	December 31,	
	1980	1979
Dart Industries Inc.:		
7½% sinking fund debentures, due 1996	**$ 43.8**	$ 59.8
4¼% subordinated debentures, due 1997 (exchangeable for 10.75 shares of 3M Company common stock per $1,000 debenture)	**60.0**	60.0
4¾% subordinated debentures, due 1987 (exchangeable for 10.1 shares of 3M Company common stock per $1,000 debenture)	**20.0**	20.0
Unsecured notes —		
4.042% to 5.75%, due in annual installments to 1987	**19.2**	24.0
9⅞%, due in annual installments to 1995	**38.8**	41.6
Capitalized lease obligations	**9.9**	12.7
Other	**18.8**	12.2
Obligations of a subsidiary of Dart Industries		
8⅞% sinking fund debentures, due 1996	**28.0**	30.0
9⅛% sinking fund debentures, due 2003	**20.0**	20.0
Other	**2.5**	3.2
	$261.0	$283.5
Kraft, Inc.:		
4⅜% debentures, due 1992	**$ 15.6**	$ 16.0
6⅞% debentures, due 1996	**30.6**	31.7
8⅜% debentures, due 2004	**80.0**	100.0
7.6% debentures, due 2007	**90.0**	100.0
8¼% guaranteed notes, due 1982 (Canadian subsidiary)	**21.1**	21.3
7½% DM convertible bonds, due 1985 (convertible into 289,545 shares of common stock of Dart & Kraft)	**22.8**	25.9
Various other obligations, 2% to 7¾% interest, payable at various dates through 2010	**19.1**	17.2
Parallel loan financing	**—**	—
	$279.2	$312.1
	$540.2	$595.6

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

The 7½% Dart debentures are due April 1, 1996. Through the operation of a sinking fund, Dart is obligated to redeem $4-million aggregate principal amount of these debentures on April 1 in each of the years 1982 through 1995. The 8⅞% and 9⅛% sinking fund debentures are obligations of the Dart subsidiary, Duracell International, which have been guaranteed by Dart. Sinking fund redemptions aggregate $2 million annually beginning in 1982, and increase to $3 million annually beginning in 1988.

All of the issues of the Kraft long-term debentures have sinking fund requirements.

The amounts shown as outstanding by the company at December 31, 1980, exclude amounts provided for payment and sinking fund requirements included in current liabilities and $57.3 million of debentures held in treasury in excess of current sinking fund requirements.

Excluded from debt and assets are certain borrowing arrangements in foreign currencies for which there are related loans receivable of equivalent amounts. In the event of default by either party under these arrangements, a legal right of offset allows defaulted principal and accrued interest to be offset against the related repayment obligation. At December 31, 1980, these parallel arrangements consisted of the following:

	Principal Amount (In millions)	Interest Rate for	
		Loan Payable	Loan Receivable
Long-term loans:			
Maturing 1985	$ 5.0	13.5%	9.0%
Maturing 1987	5.0	11.5%	7.5%
Maturing 1989	7.1	6.0%	7.25%
Short-term loans	16.4	12.9375% to 17.05%	8.75% to 16.0%

During 1980, the company, through its subsidiaries, repurchased certain of the debentures as follows: 4⅜%—$.4 million; 6⅞%—$1.1 million; 8⅜%—$20.0 million; 7.6%—$10.0 million; 7½%—$16.0 million; and 8⅞%—$2.0 million. Such repurchases were made at an aggregate discount of $12.9 million, which is included in Non-Operating Items in the accompanying Consolidated Statement of Income.

Total principal payments due on long-term debt, after deducting amounts provided for payment, in the five years subsequent to December 31, 1980, are as follows: 1981—$12.5 million; 1982—$33.5 million; 1983—$9.5 million; 1984—$11.4 million; 1985—$34.5 million.

At December 31, 1980, $381.0 million of retained earnings is not available for cash dividends under the provisions of certain loan arrangements.

Capital leases

The current and long-term portions of obligations under capital leases, aggregating $10.6 million, represent future minimum lease payments, reduced to present value by deducting approximately $6.0 million as the amount representing interest. Future minimum lease payments, including amounts representing interest, are payable at approximately $1.6 million annually through 1985 and $8.6 million in total thereafter.

Operating leases

The company and its subsidiaries also lease certain properties and equipment under various operating lease agreements that generally provide for fixed monthly payments over the terms of the leases. Many of these leases also require additional payments for property taxes, insurance and maintenance. Rental expense for operating leases (reduced by sublease income of approximately $3.4 million in each year) totaled $63.0 million in 1980, $53.6 million in 1979, and $41.1 million in 1978. Approximate minimum rental commitments under non-cancelable operating leases in effect at December 31, 1980, are: 1981—$34.6 million; 1982—$24.3 million; 1983—$17.1 million; 1984—$13.5 million; 1985—$10.5 million; and, after 1985—$48.8 million. Future sublease rentals receivable total $5.4 million.

NOTE 6: Income Taxes

Provision for taxes on income consists of the following:

	(In millions)		
	Year Ended December 31,		
	1980	1979	1978
Payable currently:			
Federal	**$189.5**	$221.2	$178.0
Foreign	**93.2**	81.2	73.8
State	**24.9**	39.4	25.0
	307.6	341.9	276.8
Tax effect of timing differences:			
Federal	**21.5**	(5.3)	13.4
Foreign	**(1.2)**	(3.4)	4.8
State	**2.1**	—	2.6
	22.4	(8.7)	20.8
Provision for taxes on income	**$330.0**	$333.2	$297.6

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Investment tax credits are reflected in income as a reduction of the provision for federal income taxes.

The tax effect of timing differences, resulting from variances between accounting for financial statement purposes and accounting for tax purposes, is as follows:

	(In millions)		
	Year Ended December 31,		
	1980	1979	1978
Depreciation	**$ 26.7**	$ 5.2	$ 20.0
Installment sales	**(2.2)**	(2.7)	.7
Accrued taxes and other expenses not deductible until paid	**4.2**	(9.7)	(2.2)
Provision for elimination, change or sale of certain operations	**(4.5)**	(1.9)	.2
Provision for unrepatriated foreign income	**(1.8)**	.4	2.1
Tax effect of timing differences	**$ 22.4**	$(8.7)	$ 20.8

Income taxes charged to income differ from an amount computed using the U.S. federal income tax rate. A reconciliation between an amount computed using the statutory rate and the provision for taxes on income is as follows:

	(In millions)		
	Year Ended December 31,		
	1980	1979	1978
Amount computed using the statutory rate	**$ 327.9**	$ 318.7	$ 292.2
Increase (reduction) in taxes resulting from:			
State taxes	**14.5**	21.3	14.3
Foreign income	**3.4**	2.2	3.6
Investment tax credit	**(13.8)**	(7.0)	(10.3)
Other	**(2.0)**	(2.0)	(2.2)
Provision for taxes on income	**$ 330.0**	$ 333.2	$ 297.6

Income before taxes was as follows:

	(In millions)		
	Year Ended December 31,		
	1980	1979	1978
Domestic	**$504.0**	$494.0	$443.4
Foreign	**209.1**	199.0	165.3
Total income before taxes	**$713.1**	$693.0	$608.7

NOTE 7: Stock Options

During 1980, options to purchase 92,927 shares under various stock option plans of the company's subsidiaries were exercised at prices ranging from $21.21 to $44.92 per share, and options for 101,237 shares lapsed or were canceled. At December 31, 1980, 913 employees (including officers) held options under these plans to purchase 940,843 shares at prices ranging from $21.21 to $46.69 per share. At that date, options for 506,858 shares were exercisable and approximately 251,000 shares were reserved for future option grants. Proceeds from options exercised during the periods were credited to the treasury stock, common stock and capital surplus accounts. No charges have been reflected in income for any period with respect to these plans.

Under Dart's Stock Option Plan, stock appreciation rights are granted to holders of certain options. These rights allow the holders to elect to surrender these options for payment of an amount equal to the excess of the fair market value at the surrender date over the option price of the options surrendered. Compensation expense associated with these stock appreciation rights was not significant.

NOTE 8: Employee Benefit and Other Related Plans

Company Pension Plans

The company and its subsidiaries have several pension plans covering substantially all U.S. employees and certain employees in other countries. In addition to its own pension plans, the company contributes to various joint industry and union pension plans. The total pension expense for all plans was $58.4 million in 1980, $57.4 million in 1979, and $47.4 million in 1978. It is the company's general policy to provide and to fund current service costs and interest on unfunded prior service costs annually, and to amortize past service costs over periods of 10 to 40 years. A comparison of accumulated plan benefits and plan net assets for all of the company's domestic defined benefit plans, as of the latest valuation dates, is presented below:

	(In millions)	
	January 1,	
	1980	1979
Actuarial present value of accumulated plan benefits:		
Vested	**$452.9**	$483.5
Nonvested	**32.2**	40.0
	$485.1	$523.5
Net assets available for benefits	**$593.4**	$499.3

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

The assumed rates of return used in determining the actuarial present value of accumulated plan benefits range from 8.0% to 8.5% for these plans for 1980 and 5.0% to 7.5% for 1979. The company's pension plans outside the United States are not required to report to certain governmental agencies pursuant to ERISA and do not, in all cases, otherwise determine the actuarial value of accumulated benefits or net assets available for benefits as calculated and disclosed above. For those plans for which a determination was made, the total of the pension funds and accruals exceeded the most current actuarially computed value of vested benefits as of December 31, 1980 and 1979. For various joint industry and union-sponsored plans, information is not available from the plans' sponsors to permit the company to determine its share of unfunded vested benefits.

There also exist a company thrift plan and a Dart profit sharing plan. The total cost of these plans was $13.8 million in 1980, $14.2 million in 1979, and $10.9 million in 1978.

Profit Incentive Plans

Under year-to-year profit incentive compensation plans of the company's subsidiaries, key employees, including officers of the company, earned approximately $21.7 million for 1980, $19.3 million for 1979, and $16.9 million for 1978. These plans covered 1,333 employees for 1980, 1,276 employees for 1979, and 1,256 employees for 1978, and did not include any director of the company who was not an employee.

Long Term Growth Plan

Kraft has a Long Term Growth Plan that consists of two related parts: the Stock Ownership Plan and the Growth Bonus Plan.

Under the Stock Ownership Plan, certain employees (including officers) held 119,510 shares of restricted common stock of the company as of December 31, 1980. During 1980, 69,915 shares of such stock were awarded to key employees (including officers) as approved by the Management Compensation Committee of the Board of Directors. The awards are subject to forfeiture during restricted periods, which have been set by the committee for up to five years.

These same employees have been designated by the committee to participate in the Growth Bonus Plan, which is designed to provide, if certain objectives are met, funds to cover all or part of the federal income tax liability resulting from awards of restricted stock under the Stock Ownership Plan or from the lapsing of restrictions on the stock. The amount of any growth bonus is subject to the achievement of certain growth goals over a period of time, called a performance cycle, which generally parallels a restricted period under the Stock Ownership Plan.

Another plan, which is similar to the Long Term Growth Plan but does not involve the issuance of stock, was adopted by the Board of Directors of Kraft in December 1979, principally for designated key executives of non-U.S. subsidiaries. In 1980, compensation expense associated with this plan was not significant.

NOTE 9: International Subsidiaries

The financial accounts of international subsidiaries, other than Canadian, included in the consolidated financial statements, in the aggregate, were as follows:

	(In millions)	
	December 31,	
	1980	1979
Notes and accounts receivable, net	**$ 244.6**	$202.2
Inventories	**422.8**	362.6
Property, plant and equipment, less accumulated depreciation	**300.8**	274.1
Other assets	**167.5**	140.0
	1,135.7	978.9
Less—Liabilities	**486.6**	403.1
Net assets	**$ 649.1**	$575.8

Net sales, income before taxes, and net income for the three years ended December 31, 1980, of such subsidiaries were as follows:

	(In millions)		
	Net Sales*	Income Before Taxes*	Net Income*
1980	**$1,988.6**	**$151.5**	**$84.1**
1979	1,736.4	155.0	93.5
1978	1,381.9	122.1	63.6

*For details on Translation of Foreign Currencies, see Note 1.

Income taxes included in the determination of net income are based upon foreign income tax rates applicable to such income. Any additional taxes expected to be payable in the United States on foreign income are included in the consolidated provision for income taxes.

NOTE 10: Contingencies

There are no pending legal proceedings against the company and its subsidiaries other than ordinary routine litigation (including several private actions, some seeking treble damages, based on alleged violation of the antitrust laws) which is incidental to the company's business; and certain lawsuits seeking substantial damages for product liability claims against the company's former Rexall Drug operations. Based on the opinion of the company's General Counsel, it is believed that the outcome of such litigation will not affect materially the company's consolidated financial position or operations.

The company has filed suits under the federal antitrust laws in one case against certain suppliers of folding cartons and in another case against certain suppliers of corrugated material, claiming treble damages in unspecified amounts. Through December 31, 1980, the former has resulted in settlements of approximately $20 million.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

NOTE 11: Non-Operating Items

Income or loss from non-operating items consisted of the following:

	(In millions)	
	Gain (Loss)	
	Before taxes on income	After taxes on income
1980		
Gain from carton antitrust settlements (fourth quarter)	**$ 19.9**	**$ 10.1**
Gain on repurchase of company bonds (primarily first quarter)	**12.9**	**7.2**
Merger-related expenses	**(9.2)**	**(9.2)**
Gain on disposition of businesses	**15.3**	**9.7**
Provision for loss on divestitures	**(19.6)**	**(10.2)**
	$ 19.3	**$ 7.6**
1979		
Provision for loss on divestitures	$ (31.0)	$ (25.0)
Gain on disposition of businesses	48.4	22.2
United Kingdom tax credit	—	4.4
	$ 17.4	$ 1.6
1978		
Provision for loss on divestitures	$ (13.7)	$ (10.4)

NOTE 12: Business Combinations and Dispositions

Following is a summary of various business combinations, apart from the combination that created the company, and dispositions involving the company and its subsidiaries:

Business Acquisitions

Dart acquired 75% of the outstanding common stock of Duracell International during 1978, and, by January 10, 1979, Dart had acquired substantially all of Duracell's common stock. The acquisition has been accounted for as a purchase transaction, and the Consolidated Statement of Income includes the results of operations from November 30, 1978, the effective date of the acquisition. The total acquisition cost was $251.6 million; and it resulted in goodwill of $113.5 million, which is being amortized over a period of 40 years.

Business Dispositions

Dart

Dart sold its Syroco home fashion products division in June 1980. The net gain on the sale before income taxes was $15.3 million.

In August 1979, the sale of 90% of Dart's one-half interest in a joint venture in olefins and polyolefins and 100% of its one-half interest in a manufacturer of plastic film took place for approximately $128 million. The net gain on the sale before income taxes was $48.4 million. Dart sold the components group business of Duracell International for approximately $60 million in July 1979 and accounted for the transaction as an adjustment of the goodwill that resulted from the Duracell acquisition.

Prior to 1980, Dart was engaged actively in a program to restructure, sell or liquidate a number of operations that did not fit into its future growth plans. Provisions for the costs of these actions, which included write-downs of property, goodwill and other assets, as well as accruals for termination benefits and other costs, aggregated $13.7 million in 1978 and $7.7 million in 1979, before taxes on income. Additional reserves of $13.1 million were established in 1980 to provide for the liquidation of operations previously identified for sale.

Kraft

In 1979, Kraft initiated a plan to dispose of certain of its nonfood operations and, accordingly, recognized the estimated losses on such disposition with a charge of approximately $23.3 million against income before taxes in the fourth quarter. This program is now complete, and the $23.3-million charge was adequate. An anticipated $6.5-million loss on the dispositions of certain Food Products operations in 1981 was charged to income before taxes in the fourth quarter of 1980.

In March 1980, Kraft sold its glass container operation, Metropak Containers Corporation, for approximately $37 million in initial consideration (principally in the form of a 12-year installment note) plus contingent future performance payments over a seven-year period of up to $14 million as Kraft's share of future improvement in profitability of the glass business of the purchaser. For 1980, no contingent payments were due to Kraft.

In July 1980, Kraft sold certain assets of its Humko Sheffield Chemical Division for approximately $38 million in cash.

In October 1980, Kraft sold certain assets of Aluminum Specialty Company—a subsidiary that manufactured housewares, toys, skates and plastics—for approximately $8.4 million.

The combined sales and income before taxes of all of the operations disposed of by its subsidiaries are not material to the company's consolidated financial statements.

NOTE 13: Supplementary Statement of Income Information

	(In millions)		
	Year Ended December 31,		
	1980	1979	1978
Maintenance and repairs	**$173.8**	$168.9	$142.9
Depreciation	**153.2**	143.2	129.8
Taxes other than payroll and taxes on income	**64.2**	57.7	52.1
Advertising costs	**216.6**	185.7	154.1
Research and development costs	**55.0**	38.2	29.1

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

NOTE 14: Interim Results (Unaudited)

The following is a summary of the unaudited interim results of operations for the years ended December 31, 1980 and 1979 (See Notes 11 and 12). These quarterly results were reported separately by Dart Industries and Kraft for each quarter of 1979 and the first two quarters of 1980 (See Note 1). Intercompany sales, which were insignificant, have been eliminated.

	(Dollars in millions, except per share)			
Year Ended December 31, 1980	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	**$2,319.2**	**$2,254.8**	**$2,387.9**	**$2,449.6**
Cost of products	**1,748.7**	**1,669.1**	**1,799.1**	**1,815.9**
Net income	**101.2**	**100.5**	**84.2**	**97.2**
Net income per common and common equivalent share	**$ 1.86**	**$ 1.84**	**$ 1.54**	**$ 1.79**
Year Ended December 31, 1979	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$2,126.9	$2,181.5	$2,253.4	$2,262.7
Cost of products	1,602.6	1,630.5	1,687.0	1,666.2
Net income	86.6	93.6	113.0	66.6
Net income per common and common equivalent share	$ 1.59	$ 1.73	$ 2.08	$ 1.22

NOTE 15: Events Subsequent to Date of Auditors' Report

Proposed Acquisition of Hobart

On February 16, 1981, the company entered into an agreement with Hobart Corporation providing for the company's acquisition of Hobart. In accordance with the agreement, on February 19, 1981, one of the company's subsidiaries commenced a tender offer for any and all outstanding Hobart common shares at $40 cash per share. The agreement provides that, subject to certain conditions, following the consummation of the tender offer (which is scheduled to expire on March 19, 1981), Hobart will be merged with or into a subsidiary of the company, and all Hobart common shares not owned by the company and its subsidiaries will be converted into a right to receive the same per-share cash consideration paid in the tender offer. The company estimates that the total cost of the proposed Hobart acquisition will be approximately $460 million and anticipates that its principal source of the required funds will be a revolving credit agreement entered into as of December 24, 1980, with 14 banks. Under this credit agreement, the company is entitled to borrow a total of $500 million and may elect, from time to time, between paying interest on the borrowed amount at the prime rate of one of the two agent banks or at the average of the London Interbank Offered Rate for Eurodollar borrowings of both agent banks for any one-, two-, three- or six-month period, selected by it, plus ½%. The proposed Hobart acquisition is not reflected in the financial statements to which these notes relate. The net sales and net income reported by Hobart Corporation for the year ended December 31, 1980, were $665.3 million and $33.2 million, respectively.

Proposed New Management Incentive Program

On February 5, 1981, the company's Board of Directors adopted, subject to shareholder approval (to be sought at the May 7, 1981, annual meeting), a new management incentive program composed of four separate plans: an annual bonus plan, a restricted stock plan, a performance unit plan and a stock option/stock appreciation rights plan. An aggregate of 4,000,000 shares of the company's common stock would be reserved for issuance under this program. If approved by shareholders, the program will become effective as of January 1, 1981, and will replace certain existing plans referred to in Notes 7 and 8.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

NOTE 16: Segments of the Business

The company operates principally in four industries—food products, direct selling, consumer products, and plastic and packaging products.

Segments of Business by Classes of Products	(In millions)		
Three-Year Summary	**1980**	1979	1978
Sales to unaffiliated customers:			
Food Products	**$6,846.5**	$6,188.4	$5,458.5
Direct Selling	**841.7**	762.5	693.0
Consumer Products	**695.1**	698.4	253.9
Plastic and Packaging Products	**1,028.2**	1,175.2	1,086.0
Net sales	**$9,411.5**	$8,824.5	$7,491.4
Operating profit:			
Food Products	**$ 445.9**	$ 405.8	$ 362.4
Direct Selling	**217.2**	200.6	188.1
Consumer Products	**47.7**	53.8	27.4
Plastic and Packaging Products	**97.3**	121.9	124.3
Total operating profit	**$ 808.1**	$ 782.1	$ 702.2
Corporate general expense	**(86.8)**	(76.2)	(80.0)
Currency translation gain (loss)	**(4.5)**	(5.3)	14.5
Interest expense, net	**(23.0)**	(25.0)	(14.3)
Non-operating items	**19.3**	17.4	(13.7)
Income before taxes	**$ 713.1**	$ 693.0	$ 608.7
Identifiable assets:			
Food Products	**$2,241.3**	$2,070.7	$1,801.2
Direct Selling	**623.1**	550.0	488.3
Consumer Products	**568.6**	498.2	514.9
Plastic and Packaging Products	**639.1**	693.8	732.7
Corporate	**578.2**	569.2	526.1
Total identifiable assets	**$4,650.3**	$4,381.9	$4,063.2
Depreciation:			
Food Products	**$ 66.7**	$ 58.9	$ 55.0
Direct Selling	**26.2**	22.9	21.1
Consumer Products	**14.8**	12.0	5.5
Plastic and Packaging Products	**38.9**	45.3	44.6
Corporate	**6.6**	4.1	3.6
Total depreciation	**$ 153.2**	$ 143.2	$ 129.8
Capital expenditures:			
Food Products	**$ 124.9**	$ 102.1	$ 85.0
Direct Selling	**45.2**	44.8	36.0
Consumer Products	**46.5**	28.2	4.8
Plastic and Packaging Products	**77.5**	73.0	68.9
Corporate	**42.6**	9.2	7.7
Total capital expenditures	**$ 336.7**	$ 257.3	$ 202.4

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Segments of Business by Geographical Areas Three-Year Summary	1980	1979	1978
	(In millions)		
Sales to unaffiliated customers:			
United States	**$6,582.0**	$6,357.1	$5,456.9
Canada	**843.6**	731.0	652.6
Latin America	**231.1**	160.1	105.2
Europe, Africa and Middle East	**1,394.7**	1,271.1	1,002.8
Pacific Area	**360.1**	305.2	273.9
Net sales	**$9,411.5**	$8,824.5	$7,491.4
Operating profit:			
United States	**$ 550.8**	$ 551.3	$ 502.5
Canada	**62.4**	49.7	44.3
Latin America	**36.1**	25.3	20.7
Europe, Africa and Middle East	**100.0**	101.7	81.2
Pacific Area	**58.8**	54.1	53.5
Total operating profit	**$ 808.1**	$ 782.1	$ 702.2
Corporate general expense	**(86.8)**	(76.2)	(80.0)
Currency translation gain (loss)	**(4.5)**	(5.3)	14.5
Interest expense, net	**(23.0)**	(25.0)	(14.3)
Non-operating items	**19.3**	17.4	(13.7)
Income before taxes	**$ 713.1**	$ 693.0	$ 608.7
Identifiable assets:			
United States	**$2,716.7**	$2,594.0	$2,518.6
Canada	**284.2**	275.2	210.3
Latin America	**185.9**	134.7	90.3
Europe, Africa and Middle East	**636.6**	595.1	532.6
Pacific Area	**248.7**	213.7	185.3
Corporate	**578.2**	569.2	526.1
Total identifiable assets	**$4,650.3**	$4,381.9	$4,063.2

In the two segment tables, intersegment sales were immaterial, except in the Plastic and Packaging Products segment, which amounted to $56.0 million in 1980, $95.4 million in 1979, and $115.1 million in 1978.

Operating profit is total revenue less operating expenses, and the following items are not included: corporate general expenses, currency translation gains or losses, net interest expense, and income taxes. Identifiable assets are those assets that are identified with the operations in each segment. Corporate assets are principally cash, temporary investments, and properties. Sales to a single customer did not exceed 10% of total sales. Export sales were insignificant.

The segments of Dart & Kraft comprise principally the following products and services: *Food Products*—cheese and related products, vegetable oil-based products, packaged foods, fluid milk products, frozen desserts and manufactured dairy products; *Direct Selling*—plastic food-preparation, storage and serving containers; cosmetics and toiletries; giftware; and marketing of resort community homesites; *Consumer Products*—alkaline, mercury, lithium and silver oxide batteries; electric housewares, cookware and serving-ware; *Plastic and Packaging Products*—chemical specialties, decorative plastic laminates, foamed polystyrene products, glass containers, paper containers and flexible packaging materials. Of these products, the only class that accounted for more than 10% of consolidated sales is cheese and related products, with sales of approximately $2.9 billion in 1980, $2.6 billion in 1979, and $2.3 billion in 1978.

NOTE 17: Net Income Per Common and Common Equivalent Share

Net income per common and common equivalent share for all three years is based upon the weighted average number of common shares actually outstanding during each year increased by the effect of dilutive stock options. No material dilution would result from conversion of the company's 7½% DM Convertible Bonds.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Auditors' Report

To the Board of Directors and Shareholders of
Dart & Kraft, Inc.:

We have examined the consolidated balance sheet of Dart & Kraft, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1980 and 1979, and the related consolidated statements of income, shareholders' equity, and changes in financial position for each of the three years in the period ended December 31,1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Dart Industries Inc. and consolidated subsidiaries, which statements reflect total assets and net sales constituting approximately 43.3% and 25.7%, respectively, of the related consolidated totals. These statements were examined by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Dart Industries Inc. and consolidated subsidiaries, is based solely upon the report of the other auditors.

In our opinion, based on our examination and the report of other auditors referred to above, the consolidated financial statements referred to above present fairly the financial position of Dart & Kraft, Inc. and subsidiaries as of December 31, 1980 and 1979, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

33 West Monroe Street
Chicago, Illinois 60603
February 13, 1981

Responsibility for Financial Statements

The auditors' report expresses their opinion as to the fair presentation of the company's financial statements and consistent conformity with generally accepted accounting principles. It is management's responsibility to see that such financial statements accurately reflect the financial position of the company and its operating results. All of the financial information in the text of this annual report is consistent with that in the financial statements.

The company maintains systems of internal controls, policies and procedures to ensure that its accounting, administrative procedures and reporting practices are of the highest quality and integrity. The company also maintains an internal auditing function that continually evaluates the adequacy and effectiveness of such internal controls, policies and procedures. The company's business ethics policy, which is regularly communicated to all levels of the organization, requires employees to maintain the highest ethical standards in their conduct of company affairs.

The Board of Directors' Audit Committee, which is composed entirely of directors who are not employees of the corporation, meets periodically with the independent auditors and with management to satisfy itself that both are properly discharging their responsibilities. (See page 51.)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

The following supplemental information is the result of a requirement of the Financial Accounting Standards Board (FASB) to develop financial reporting that reflects the burden of inflation on companies.

The disclosures provide a measure of the effect of inflation on Dart & Kraft, but they are experimental in nature and should be used with caution because there is no consensus on how to use the data to evaluate a company. The information does not represent a comprehensive restatement of a company's financial statements, and assumptions and procedures used in preparing the data may vary among companies.

Because traditional financial statements are a record of the accumulated dollar value of transactions entered into by a company, they are most meaningful in depicting a company's financial status and the results of operations in an environment of relatively stable prices. Traditional statements are not designed to reflect distortions caused by inflation. The FASB's approach is to adjust historical income and certain balance sheet accounts by two methods: current cost and constant dollar.

The current cost method values fixed assets and inventories at their current cost at year-end, or the date of sale, rather than at the actual cost incurred when they were acquired. Depreciation expense and cost of products are then based on current values. The constant dollar method involves using the Consumer Price Index for All Urban Consumers (CPI-U) to adjust the dollar value of inventory and fixed assets to dollars of average 1980 purchasing power. Depreciation expense and cost of products are then based on these values.

Constant dollar income is lower than current cost income, primarily because, during 1980, Dart & Kraft's costs increased less rapidly than the CPI-U. Because changes in the CPI-U do not correspond to actual cost changes experienced by the company, the validity of the constant dollar results is questionable.

The amount of taxes on income is not changed by the current cost or constant dollar adjustment. As a result, while Dart & Kraft's effective tax rate is 46.3% on historical income, the effective rate is 60.5% on current cost income and is 71.0% on constant dollar results. If taxes were calculated by applying existing tax rates to inflation adjusted income, more dollars would be available for replacement or expansion of facilities or for the payment of dividends.

Management believes that both business and consumers function more effectively in an environment of stable prices. A high priority should be given to establishing national monetary and fiscal policies that will restore price stability.

Net Income Adjusted for Inflation

	(Dollars in millions)	
	Year Ended December 31, 1980	
	Current Cost	**Constant Dollar**
Income before taxes as reported in the *Consolidated Statement of Income*	**$ 713.1**	**$ 713.1**
Excess of adjusted cost of products over historical cost of products (excluding depreciation)	**(89.3)**	**(172.8)**
Excess of adjusted depreciation over historical depreciation*	**(78.4)**	**(75.2)**
Adjusted income before taxes	**545.4**	**465.1**
Provision for taxes on income as reported in the Consolidated Statement of Income	**(330.0)**	**(330.0)**
Adjusted net income	**215.4**	**135.1**
Purchasing power gain from net monetary position	**77.2**	**77.2**
Total	**$ 292.6**	**$ 212.3**

*Total current cost depreciation was $231.6 million; total constant dollar depreciation was $228.4 million.

Actual costs at the time of sale were assigned to the major elements of inventory sold during the year, while the current costs of property, plant and equipment were calculated by the use of specialized indexes or engineering estimates. Current costs of products and depreciation were determined from these values.

Changes During 1980 in Cost of Inventories and Property, Plant and Equipment

	(In millions)
Increase during 1980 in value of inventories and property, plant and equipment in constant dollars	$438.9
Increase during 1980 in current cost of these assets	300.3
Excess of increase during 1980 in constant dollars over increase in current cost	$138.6

At December 31, 1980, current cost of inventory was $1,700.6 million, while current cost of property, plant and equipment, net of accumulated depreciation, was $2,332.4 million. Historical values were $1,646.9 million and $1,379.1 million, respectively. Current costs should not be interpreted as market values or the cost of replacing the assets.

The current cost of inventories and property, plant and equipment held by the company increased during the year, but at a less rapid rate than the CPI-U.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Comparison of Selected Supplemental Financial Data*

(Dollars in millions, except per share, all current cost and constant dollar amounts in average 1980 dollars)

	1980	1979	1978	1977	1976
Net sales					
— as reported	**$9,411.5**	$ 8,824.5	$7,491.4	$6,828.5	$6,443.2
— constant dollar	**9,411.5**	10,017.9	9,462.0	9,285.3	9,326.6
Net income					
— as reported	**383.1**	359.8	311.1	263.3	237.2
— current cost	**215.4**	196.4			
— constant dollar	**135.1**	168.9			
Net income per common share					
— as reported	**7.03**	6.62	5.73	4.87	4.39
— current cost	**3.95**	3.61			
— constant dollar	**2.48**	3.11			
Cash dividends** declared per common share					
Dart & Kraft					
— as reported	**.80**				
— constant dollar	**.77**				
Kraft					
— as reported	**2.40**	3.00	2.65	2.32	2.12
— constant dollar	**2.44**	3.41	3.35	3.16	3.07
Dart					
— as reported	**1.50**	1.80	1.60	1.00	.66
— constant dollar	**1.51**	2.04	2.02	1.36	.96
Net assets					
— as reported	**2,620.5**	2,382.9	2,150.9	1,952.6	1,781.0
— current cost	**3,457.1**	3,469.7			
— constant dollar	**3,408.8**	3,356.1			
Purchasing power gain from net monetary position in constant dollars	**77.2**	95.5			
Increase in the constant dollar value of inventories and property, plant and equipment over their current cost value in constant dollars	**138.6**	71.8			
Market price per share of common stock at year-end					
— as reported	**43.50**				
— constant dollar	**41.55**				
Average Consumer Price Index	**246.8**	217.4	195.4	181.5	170.5

*See Note 1 of the Notes to the Consolidated Financial Statements.
**1980 dividends—Dart & Kraft, fourth quarter only. Kraft and Dart Industries, first three quarters only.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Board of Directors

John M. Richman
Chairman of the Board
and Chief Executive Officer
Glenview, Illinois

Justin Dart
Chairman of the
Executive Committee
Los Angeles, California

Curtis Barkes
Retired Director and
Chairman of the Finance
and Audit Committees
UAL, Inc
Airline and Hotels
Rancho Santa Fe, California

Warren L. Batts
President
Glenview, Illinois

William O. Beers
Retired Chairman of the Board
and Chief Executive Officer
Kraft, Inc.
Chicago, Illinois

William O. Bourke
Retired Director
Ford Motor Company
Earlysville, Virginia

Edward E. Carlson
Chairman and Director
UAL, Inc.
Airline and Hotels
Chicago, Illinois

Catherine B. Cleary
Adjunct Professor
School of Business
Administration
University of Wisconsin–
Milwaukee
Milwaukee, Wisconsin

John D. deButts
Retired Chairman of the Board
and Chief Executive Officer
American Telephone and
Telegraph Company
Upperville, Virginia

E. Mandell de Windt
Chairman of the Board
and Chief Executive Officer
Eaton Corporation
Manufacturing
Cleveland, Ohio

Lloyd C. Elam, M.D.
Chancellor
Meharry Medical College
Nashville, Tennessee

William T. Gossett
Counsel
Dykema, Gossett, Spencer
Goodnow & Trigg
Attorneys
Detroit, Michigan

Robert S. Ingersoll
Deputy Chairman of the
Board of Trustees
University of Chicago
Chicago, Illinois

John F. McGillicuddy
Chairman of the Board,
President and Chief Executive
Officer of Manufacturers
Hanover Corporation and
of Manufacturers Hanover
Trust Company
Commercial Banking
New York, New York

William D. Noel
Retired Chairman
El Paso Products Company
Energy
Odessa, Texas

John S. Reed
Chairman of the Board and
Chief Executive Officer of
Santa Fe Industries, Inc and
of The Atchison, Topeka and
Santa Fe Railway Company
Chicago, Illinois

William E. Simon
Chairman
Crescent Diversified Ltd.
Investments
New York, New York

Edward R. Telling
Chairman of the Board, President
and Chief Executive Officer
Sears, Roebuck and Co.
Chicago, Illinois

Holmes Tuttle
President and Director of
Holmes Tuttle Enterprises
Automobile Distributor
Los Angeles, California

John L. Weinberg
Senior Partner
Goldman, Sachs & Co
Investment Banking
New York, New York

Hamer F. Wilson
Chairman
Tupperware International
Orlando, Florida

Arthur W. Woelfle
President and
Chief Operating Officer
Kraft, Inc.
Glenview, Illinois

George G. Zipf
Retired President and
Chief Operating Officer of
The Babcock & Wilcox
Company and Vice Chairman
of J. Ray McDermott & Co., Inc.
Manufacturing
Stuart, Florida

Audit Committee

The Audit Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, recommends selection of the independent auditors; reviews matters pertaining to the audit, systems of internal control, and accounting policies and procedures; approves services provided by the independent auditors; and directs and supervises investigations into matters within the scope of its duties.

Curtis Barkes, Chairman
Lloyd C. Elam, M.D.
William T. Gossett
Robert S. Ingersoll
John L. Weinberg
George G. Zipf

Committee on Directors

The Committee on Directors identifies, reviews qualifications of, and recommends candidates for Board membership, and also acts on other matters pertaining to such membership

John F. McGillicuddy, Chairman
William O. Beers
Justin Dart
John D. deButts
E. Mandell de Windt
John M. Richman
William E. Simon

Employee Benefits Committee

The Employee Benefits Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, makes recommendations to the Board concerning employee benefit plans, monitors the investment performance of employee benefit trust funds, and also has certain responsibilities under the Dart & Kraft Thrift Plan.

Catherine B. Cleary, Chairman
Edward E. Carlson
E. Mandell de Windt
Lloyd C. Elam, M.D.
William D. Noel
Holmes Tuttle
George G. Zipf

Executive Committee

The Executive Committee has most of the powers of the Board of Directors and can act when the Board is not in session.

Justin Dart, Chairman
Warren L. Batts
William O. Beers
William O. Bourke
Edward E. Carlson
Robert S. Ingersoll
John S. Reed
John M. Richman
William E. Simon
Edward R. Telling
Arthur W. Woelfle

Finance Committee

The Finance Committee reviews and makes recommendations to the Board regarding dividends, financial policies and procedures.

William O. Beers, Chairman
Curtis Barkes
Warren L. Batts
Justin Dart
John D. deButts
John F. McGillicuddy
John M. Richman
William E. Simon
John L. Weinberg
Arthur W. Woelfle

Management Compensation Committee

The Management Compensation Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, administers various management incentive plans, and also takes action on, or recommends to the Board, salary changes for certain management personnel.

E. Mandell de Windt, Chairman
William O. Bourke
Catherine B. Cleary
William D. Noel
John S. Reed
Edward R. Telling
Holmes Tuttle

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Office of the Chairman

John M. Richman
Chairman of the Board and
Chief Executive Officer

Warren L. Batts
President

Business Unit Presidents

John P. Del Favero
President,
Chemical-Plastics Group

F. William Graham
President,
Consumer Products Group

William H. Greenberg
President, Thatcher Glass
Manufacturing Company

Joseph Hara
President,
Tupperware International

Peter G. Viele
President, Duracell
International Inc.

Arthur W. Woelfle
President,
Kraft, Inc.

Corporate Staff

William W. Crawford
Senior Vice President,
General Counsel and Secretary*

William E. Reidy
Senior Vice President,
Corporate Strategy and
Development

Russell K. Bolton
Vice President and
Associate General Counsel

Joseph L. Caliri
Vice President and Secretary*

Gary P. Coughlan
Vice President,
Operations Services

G. K. Franklin
Vice President,
Management Resources

William B. Jordan
Vice President and
Treasurer

John T. Kelly
Vice President and
Assistant General Counsel

Margaret P. MacKimm
Vice President,
Public Affairs

Thomas J. McHugh
Vice President, Taxes

William R. Palmer
Vice President, Auditing

James O. Rollans
Vice President,
Business Analysis &
Investor Relations

Norman Wicks
Vice President and
Executive Assistant
to the Office of
the Chairman

Roger H. Willis
Vice President and
Controller

Mr Crawford will succeed Mr Caliri as Secretary upon the latter's retirement on April 1, 1981

Transfer Agents

Manufacturers Hanover Trust Company
Securityholder Relations Department
4 New York Plaza
New York, New York 10015

State Street Bank and Trust Company
Stock Transfer Department
225 Franklin Street
Boston, Massachusetts 02101

Harris Trust and Savings Bank
Corporate Trust Operations
111 West Monroe Street
Chicago, Illinois 60603

Bank of America National Trust and Savings Association
Stock Transfer Department
55 Hawthorne Street
San Francisco, California 94120

The Royal Trust Company
Stock Transfer Department
630 Dorchester Boulevard West
Montreal 110, Quebec, Canada

Royal Trust Tower
Toronto-Dominion Centre
Toronto 116, Ontario, Canada

†Commonwealth Trading Bank of Australia
Stock Transfer Department
367 Collins Street
Melbourne, Victoria, Australia

Registrars

Manufacturers Hanover Trust Company
New York

Continental Illinois National Bank and Trust Company of Chicago
Chicago

State Street Bank and Trust Company
Boston

Wells Fargo Bank, N.A.
San Francisco

Montreal Trust Company
Montreal and Toronto

†The Wales Nominees (Vic.) Pty. Limited
Melbourne

†*For shares represented by Australian certificates only*

Stock Exchanges

New York (principal market), Boston, Midwest, Pacific, †Adelaide, †Brisbane, †Hobart, †Melbourne, †Perth, †Sydney, London, Antwerp, Brussels, Paris, Frankfurt/Main, Amsterdam, Basel, Bern, Geneva, Lausanne, Zurich.

U.S. Trading Symbol:DKI

Auditors

Arthur Andersen & Co.

Note: In this report, trademarks of Dart & Kraft are indicated by the use of italics.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Corporate Headquarters

Dart & Kraft, Inc.
Glenview, Illinois 60025
(312) 998-4550

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.